Report on Revamping Mahatma Phule Backward Class Development Corporation

Final Report

April 2023

Table of Contents

Acknowledgements

This report is the fruit of collective efforts and extensive consultations. There are many institutions and individuals to be thanked for their contributions, whether one-time or ongoing, in the making of this report towards the revamping of the Mahatma Phule Backward Class Development Corporation Limited (MPBCDCL).

First and foremost, we acknowledge Sh. Bipin Shrimali (IAS), Managing Director, MPBCDCL for conceiving the idea of constituting a Study Group for revamping the workings of the MPBCDCL. Further, we thank him also for his valuable inputs towards shaping this report in its current form.

Further, we wish to thank the following individuals representing various institutions. Each of them, in their specific professional capacities, have contributed to our learnings of precedents, learnings from best practices, widened the Study Group's horizon to ascertaining data, sharing meaningful insights, and in general supporting the idea of revamping and reforming MPBCDCL to enable serve the schedule caste and neo-Buddhist community with a greater impact. These individuals are:

1. Smt. Sundari, AGM- NABARD
2. Mr. Adinath Kele, AGM - NABARD
3. Mr. Himanshu Asthana, DGM, SIDBI
4. Mr. Singh, SIDBI
5. Mr. Nitin Jagtap, IDBI Bank
6. Mr. Nitin Jawale, MD, SICOM
7. Mr. Dhananjay Kamlakar, IPS (Rtd.) - Expert
8. Ms. Usha Moraes, Consultant
9. Mr. Santosh Kamble, DICCI
10. Mr. Suresh Londe, Joint Director of Industries, Mumbai
11. Mr. Sanjay Gupta – STPI
12. Mr. Vinay Hedao, CEO-MUDRA
13. Mr. Dinesh Dingale, Joint Secretary, Department of Social Justice and Special Assistance, GoM

14. Mr. Santosh Jadhav, Internal auditor, MPBCDCL

15. Mr. Sampson Jadhav, DGM, Finance, MPBCDCL

16. Ms. Amita Paunikar, Company Secretary (CS), MPBCDCL

17. Mr. Sandeep Lanjewar, Palladium Consulting India Pvt. Ltd.

Lastly, the group acknowledges the valuable contribution of Ms. Aarti Saxena, Palladium Consulting India Pvt. Ltd., for her conceptual inputs on the subject and diligent work in drafting this report.

Report Sign Off from the Study Group

Dr. Sanjay Chahande
IAS (Rtd.)
Former Addl. Chief Secretary, Government of Maharashtra
Chairperson

Dr. Umakant Dangat
IAS (Rtd.)
Former Divisional Commissioner, Aurangabad
Member

Shri. Vijay Kumar Kalam-Patil
IAS (Rtd.)
Director, (Operations), MAHAPREIT
Member

Shri. Keshav Kamble
Former Joint CEO
KVIC, Ministry of MSME, GoI
Member

Shri. Prashant Gedam
General Manager
MPBCDCL
Member

Shri. Ganesh Chaudhari
CGM, WEC
MAHAPREIT
Member

Shri. Ram Rathod
Regional Manager
MPBCDCL, Pune
Member

Shri. Dattaraj Shinde
AGM
MPBCDCL
Member Secretary

Introduction

The Mahatma Phule Backward Class Corporation Limited (MPBCDCL) had decided in year 2022 that its functioning and policies need a relook and sought advice from an especially constituted Study Group on the same.

Hence, on 28 July 2022 a Study Group was constituted to study, research, analyze and recommend the revamping aspects of the Corporation/MPBCDCL. The Study Group comprised:

1. Dr. Sanjay Chahande, IAS (Rtd.), Former Addl. Chief Secretary, GoM - Chairperson
2. Dr. Umakant Dangat, IAS (Rtd.), Former Divisional Commissioner, Aurangabad - Member
3. Mr. Vijay Kumar Kalam-Patil, IAS (Rtd.), Director, (Operations), MAHAPREIT- Member
4. Mr. Keshav Kamble – Former Joint CEO, KVIC, Ministry of MSME, GoI – Member
5. Mr. Prashant Gedam – General Manager, MPBCDCL – Member
6. Mr. Ganesh Chaudhari – CGM, WEC, MAHAPREIT, Mumbai – Member
7. Mr. Ram Rathod, Regional Manager - MPBCDCL, Pune - Member
8. Mr. Dattaraj Shinde, AGM, MPBCDCL – Member Secretary

The order constituting the Study Group is at **Annexure 1** for reference.

The Study Group met majorly once weekly on Tuesdays from August 2022 onwards until April 2023 as per the regularity needed to draft and discuss the nuances of this report. The total number of Study Group meetings held from 04 August 2022 to 17 April 2023 were 17. This was in addition to a number of small group meetings and deliberations throughout the period.

Supporting the Study Group was a team from the consulting firm, Palladium Consulting India Pvt. Ltd. to research, share inputs and drafting the report as per the directions of the Study Group.

The Study Group met with several industry players and other stakeholders in the context of the topics covered in this report. Besides, the Group's members have diligently researched various topics and given inputs from time to time across chapters and embedded recommendations.

The first chapter of this report covers the background of the corporation and takes stock of various schemes and the functioning of the corporation (the Corporation is also called MPBCDCL interchangeably in this report). Chapters 2 and Chapter 3 discuss Entrepreneurship Development and Project Appraisal respectively in detail, as the Study Group found that the corporation lacks essential thrust on these two important dimensions in its functioning. Chapter 4 lays down the New Approach Schemes, while Chapter 5 covers few management recommendations. Chapter 6 forms the summary of the Study Group's key recommendations. The report ends with Annexures which have been cross referenced in the body of the report.

REPORT

Chapter 1

1 Overview of the Corporation

1.1 The Company

Among the classes declared by the Hon. President as backward under Articles 341 and 342 of the Constitution of India, Scheduled Castes (SCs) and Scheduled Tribes (STs) are considered more important in terms of numbers and based on the extent of their socio-economic backwardness. In addition to this, it is left to the state governments to determine which other classes are to be accepted as backward. Thus, the Government of Maharashtra (GoM) has recognized two more classes as backward. These include (1) liberated castes and nomadic tribes and (2) newly initiated Buddhists-Neo-Buddhists.

Figure 01: Schedules Caste Population as per Census 2011

Population **INDIA**

Indicator	Absolute		Percentage		Growth rate (2001-11)
	2001	2011	2001	2011	
Total Population					
Total	1,02,86,10,328	1,21,05,69,573	100.0	100.0	17.7
Rural	74,23,02,537	83,34,63,448	100.0	100.0	12.3
Urban	28,63,07,791	37,71,06,125	100.0	100.0	31.7
Scheduled Castes					
Total	16,66,35,700	20,13,78,086	16.2	16.6	20.8
Rural	13,30,10,878	15,38,50,562	17.9	18.5	15.7
Urban	3,36,24,822	4,75,27,524	11.7	12.6	41.3
Scheduled Tribes					
Total	8,43,26,240	10,42,81,034	8.2	8.6	23.7
Rural	7,73,38,597	9,38,19,162	10.4	11.3	21.3
Urban	69,87,643	1,04,61,872	2.4	2.8	49.7

Source: Primary Census Abstract for Total population, Scheduled Castes and Scheduled Tribes, 2011
Office of the Registrar General & Census Commissioner, India

Besides, according to the 2011 Census of India from the population table above[1], Scheduled Castes accounted for 16.6% of India's total population of which Maharashtra's Scheduled Caste population is 11.81%. In the state of Maharashtra, 59 castes are classified as Scheduled Castes. For the

[1] Source: Primary Census Abstract for Total Population, Scheduled Castes and Scheduled Tribes, 2011, Office of the Registrar General and Census Commissioner, India.

educational/economic/social development of the backward class elements, several schemes are being implemented by the government since last almost seven decades.

The Mahatma Phule Backward Class Development Corporation Limited (MPBCDCL) was established by the Government of Maharashtra under the Companies Act 1956 on 10th July 1978 with the objective of bringing about economic upliftment of financially weak families of the Scheduled Castes, the Neo-Buddhists and the *Safai Karmachari* community in the state of Maharashtra. However, in the last few years, additional independent corporations have been established for specific castes in the Scheduled Caste (SC) category and at present there are total of three such corporations namely:

1. Mahatma Phule Backward Class Development Corporation Limited (MPBCDCL)
2. Sahityaratna Lokshahir Annabhau Sathe Finance and Development Corporation Limited
3. Sant Rohidas Leather Industries and Tanners Development Corporation Limited (LIDCOM)

Here we would like to add that other than SC category, there are additional three corporations as follows, which are working for the backward classes and other groups in the state.

1. Maharashtra State Other Backward Classes Finance and Development Corporation
2. VasantRao Naik Vimukta Jati and Nomadic Tribes Development Corporation
3. Maharashtra State Annasaheb Patil Finance Development Corporation
4. Maharashtra State Tribal Development Corporation
5. Maharashtra State Disabilities (Divyang) Development Corporation

The MPBCDCL is the entity in the purview of this Study Group’s report. As mentioned earlier, the MPBCDCL is a government company constituted by the Government of Maharashtra and the Government of India (GoI). It is governed by the Department of Social Welfare and Special Assistance (GoM) and the Department of Social Justice (GoI). The CIN of the Company is U74999MH1978SGC020479. The authorized share capital is Rs.1,000 crores. The ratio of share capital receipt from state and central government is 51:49, respectively.

1.2 Objectives

As per it's Memorandum of Association (MOA), the main objects of the company are as follows:

(1) To plan, promote, aid, counsel, assist, finance, protect and undertake, on its own or in collaboration with Government, Statutory Bodies, Companies, firms, individuals or through such organization or agencies, programs of agricultural development, marketing , processing, supply and storage of agricultural produce, small scale industries, building construction, transport and such other business, profession (such as medical, engineering, architecture, etc.), trade or activity for the benefit and welfare of Backward Classes;

(2) To provide capital, credit means, resources, and technical and managerial assistance for the prosecution of the work, business, profession, trade or activity to enable Backward Classes to develop, improve economic conditions/ methods and techniques of production, manufacture, management and marketing;

(3) To enter into contracts with and take up indents from, the Government of India and State Governments in the Union of India, Statutory Bodies, Companies, Firms or Individuals or organization for fabrication, manufacture, assembly and supply of agricultural produce, goods, materials, articles and equipment of every description and to arrange for the performance of such contracts and indents by sub-contracting them to, or placing orders in respect thereof, to the persons belonging to Backward Class or seek the assistance for the fabrication, manufacture, assembly or supply of such agricultural produce, goods, materials, articles or equipment or parts thereof, servicing or processing in connection therewith, or such managerial services as may be necessary for the due performance of such contracts and indents, and to have the agricultural produce, goods, materials, articles and equipment fabricated, manufactured, assembled and supplied;

(4) To grant or guarantee or recommend the grant of loans to persons belonging to Backward Classes to whom sub-contracts are given or orders are issued, as aforesaid, in order to enable them, in carrying out the sub-contracts or orders, to finance production, plant construction, conversion or expansion, including the acquisition of land, or to finance the construction, conversion or expansion, including the acquisition of land, or to finance the acquisition of equipment, facilities, machinery, supplies or materials, or to supply such concerns with working capital to be used in the manufacture of articles, equipment, supplies or materials under contract to Government or to this Corporation, to provide them with such financial, technical, managerial and other assistance as may be deemed necessary for the purpose of enabling them to execute and carry out the sub-contracts and other sub contacts and organize production and manufacture for meeting such contracts and sub-contracts adequately and according to specification, and to ensure satisfactory production but all necessary instruction, assistance, inspection and supervision.

2 The Organization Structure

2.1 Board of Directors

As per Government Decision No. MPC-1081/805447/(154), dated 15.05.1982, the number of directors of the Company was reduced to minimum 2 and maximum 16. At present the following members have been nominated on the Board of Directors:

1. Chairman, Mahatma Phule Backward Class Development Corporation Limited, Mumbai
2. Managing Director, Mahatma Phule Backward Class Development Corporation Limited, Mumbai
3. Chairman and Managing Director, NSFDC[2], New Delhi
4. Managing Director, NBCFDC[3], New Delhi
5. Managing Director, NSKFDC[4], New Delhi

[2] NSFDC: National Scheduled Castes Finance and Development Corporation
[3] NBCFDC: National Backward Classes Finance & Development Corporation
[4] NSKFDC: National Safai Karamcharis Finance & Development Corporation

6. Commissioner, Directorate of Social Welfare, Pune
7. Deputy Secretary, Department of Social Justice and Special Assistance, Ministry, Mumbai.

The board has been reconstituted recently in consonance with the Companies Act. as follows:

As per the provision of Company Act 2013, 167(b) Vacation of officer of Director.

In the Board of Directors meeting the agenda item No. 184.4 it was resolved that, pursuant to provision of section 167 (1) (b) of the Companies Act, 2013, the Board does hereby note the cessation of director nominated by following companies.

1. National SC Fin & Dev. Corporation
2. Nation Safai Karmacharies Finance and Dev. Corporation
3. National Backward Class Dev. Corporation.

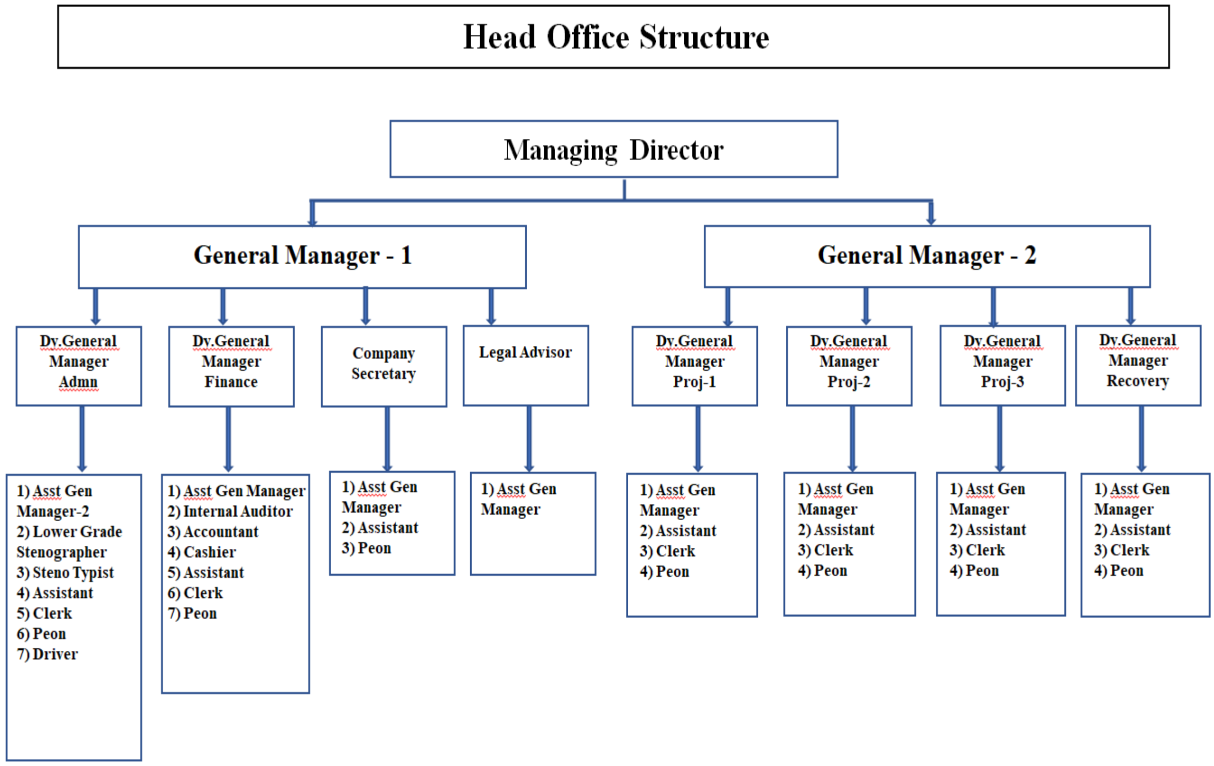
Now the current Board of director has been reconstituted as under.

1. Chairman, Mahatma Phule Backward Class Development Corporation Limited, Mumbai
2. Managing Director, Mahatma Phule Backward Class Development Corporation Limited, Mumbai
3. Managing Director, NSKFDC, New Delhi
4. Commissioner, Directorate of Social Welfare, Pune
5. Joint Secretary, Department of Social Justice and Special Assistance, Ministry, Mumbai.

2.2 Organization Chart

The Mahatma Phule Backward Class Development Corporation Staff Recruitment and Service Conditions Rules were framed in the year 1983. So far total of 360 posts have been approved for the Corporation as per Government decisions issued from time to time. The Corporation has 43 functional offices across the state of Maharashtra. Its headquarters (HQ) are at Mumbai, 6 regional offices coextensive with the state's revenue divisions and total of 36 district offices, with 1 at each district. The existing staffing structure for the said offices is as per chart below:

Figure 02: Existing Organisation Structure of MPBCDCL



2.3 Share Capital

MPBCDCL's authorized share capital at the time of incorporation was Rs.2.50 crores. It has been increased by the government by issuing a government decision from time to time and by the year 2022, it was increased to Rs 1,000 crores. The ratio of share capital ratio of the state and central government is 51:49. However, the paid-up capital by the central government is Rs.180.93 crores and the state Government of Maharashtra has so far paid Rs.568.58 crore.

3 Schemes – Objectives, Eligibility, Workflow

3.1 Broad objective and scope of on-going schemes of the Corporation

1. To economically empower the people belonging to the backward classes.
2. To provide immediate finance to the people of the weaker sections of the backward classes.
3. Businesses generally included in the said schemes e.g., Agriculture and Agri-related Businesses, Horticulture, Animal Husbandry, Food Processing, Fisheries, Mobile Servicing/Repairing, Electricians, Electronic Goods Repairing, Tailoring, Food Products, Grocery Stores, General/Stationery Stores, Fabrication/Welding, Xerox Machines, Hotels, Sports Equipment, Sports Shop, Fast Food Centre/Juice Centre, Cloth/Readymade Garment, Motor Mechanic/Repairing, etc.
4. Generally, there is 40% reservation for women, 5% reservation for disabled and 5% reservation for others will remain in the said scheme. Also, priority is given to rural areas.

3.2 General Eligibility and Criteria of Beneficiary Selection for the Corporation's schemes:

1. The applicant should be a Scheduled Caste and Neo-Buddhist (proven by caste certificate with validity)
2. Applicant should be a resident of Maharashtra (proof would include Ration Card, Voter ID Card, Aadhaar Card, PAN Card, Electricity Bill etc.).
3. Age of applicant should be between 18 to 50 years.
4. While selecting the beneficiaries, first preference is given to the applicant whose annual income does not exceed Rs.2.50 lakhs (proof to be produced). Applicant should not be in arrears of any (Central/State) scheme of the Corporation
5. The income criteria have been amended from time to time. At the time of establishment of the corporation, only state government schemes were being implemented. In view of the rising inflation index, changes have been made from time to time as per the orders of the government. As per the latest order, the income criteria for both GOI and GOM schemes have been fixed to Rs.3,00,000.
6. Documents related to business such as price list of goods, proof of place of business etc required.

3.3 General Work Flow of Bankable (bank-related) Schemes

1. Eligibility documents are sought from the applicant / beneficiary
2. Applicant's residence as well as place of business are verified by MPBCDCL
3. Applications (loan cases) received are scrutinized and approved through the District Beneficiary Selection Committee established under the chairmanship of Hon'ble District Magistrate (DM).
4. Loan cases approved in the District Beneficiary Selection Committee are recommended to a Nationalized Bank for approval through the concerned District Office.
5. The documents together with the applicant beneficiary's proposal are sent to the bank.

6. Upon receiving the loan approval from the bank, the Corporation allocates a grant equivalent to 50% of the total loan amount sanctioned by the bank.
7. After receiving the approval from the bank, a cheque for the grant amount is drawn by MPBCDCL in favour of the concerned nationalized bank through the respective district office and sent to the bank in accordance with the disbursement of the loan.
8. The loan is to be disbursed to the applicant through a bank.

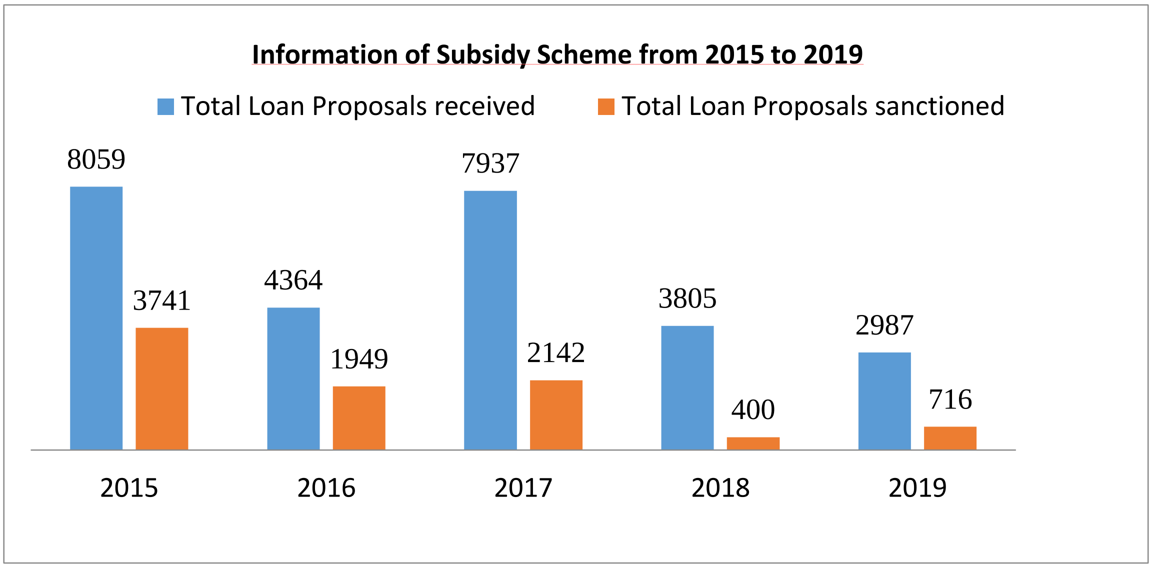
4 Schemes Implemented by the Corporation

4.1 Loan Subsidy Scheme

The said scheme has been implemented in the Corporation since its inception in the year 1979-80. After sanctioning 50% loan by the nationalized bank in the initial phase, the corporation granted up to Rs.2,500. In this scheme, the initial financial limit was of Rs. 5,000. Subsequently, the project cost limit was increased to Rs.50,000/- and the same limit remains till date. In this Rs. 10,000/- (with limit) or 50% grant is from the Corporation and 50% amount is a loan from a Nationalized Bank.

As per feedback given by the corporation's officials, beneficiaries do not show interest in this scheme because of low scale of funding. Capital cost of any project and also that of raw material is high at present, thus there are not many takers of this scheme. As per the information provided by the corporation, the sanctioned cases and sanctioned grants from 2015 to 2019 can be seen from the graphic chart shown below.

Figure 03: Sanctioned cases and sanctioned grants from 2015 to 2019



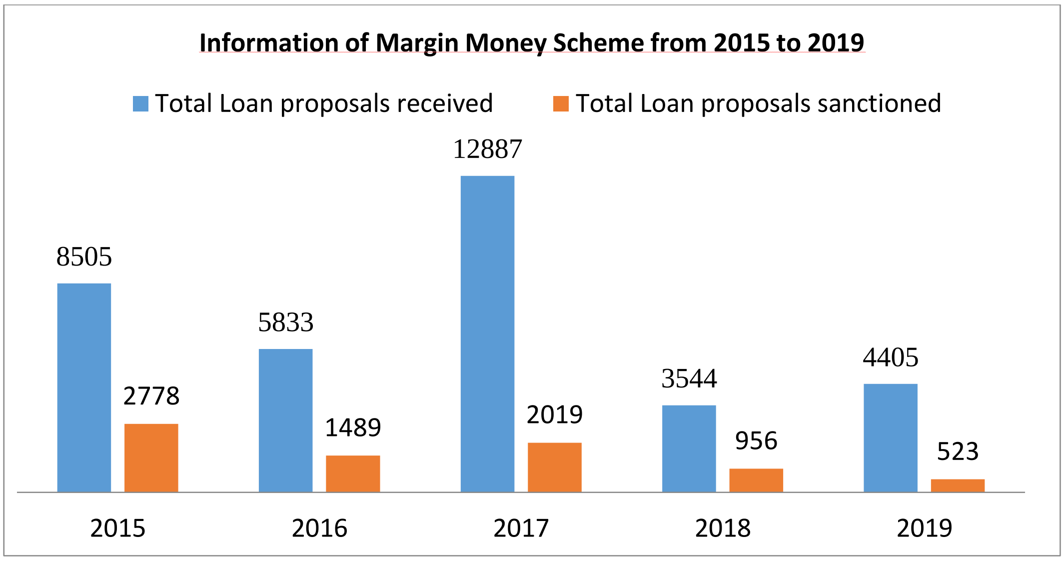
Thus, it is observed that a **miniscule number of beneficiaries** are being assisted under this scheme. Further, the Pradhan Mantri Scheduled Caste Abhiyudaya Yojana of the Central Government from the year 2022-23 has increased the subsidy limit from Rs.10,000/- to Rs.50,000/- and the proposal to increase the subsidy amount from Rs.10,000/- to Rs.1 lakh has been sent to the Government for approval.

4.2 Seed Capital Scheme

The said scheme is being implemented in the Corporation since its inception from the year 1979-80. In the initial period, fixed capital projects up to value of Rs.12,000/- were being implemented under the said scheme. In this, 75% loan was sanctioned by the bank and 25% seed capital was sanctioned at 4% interest rate. The government increased the project cost limit from time to time and since the year 2008, the project cost limit stands revised to Rs. 5,00,000/- (5 lakh).

Under this scheme, projects with the investment up to Rs.5 lakhs are considered. 20% seed capital amount from the corporation up to the amounts of Rs.10,000/- is provided as subsidy and 5% of the project amount is to be paid by the applicant as own contribution. The remaining 75% amount is sanctioned by the bank. A rate of interest of 4% is charged on the seed capital amount sanctioned by the corporation. In the said scheme, as per the feedback given by the officials, it is seen that the beneficiaries are unable to repay the loan because of very high interest rate of 12% to 13% on the 75% component of their loan amount. Thus, banks are not keen to approve these loan cases. The sanctioned cases and sanctioned cases under the grant scheme from 2015 to 2019 can be seen from the graphic chart mentioned below.

Figure 04: sanctioned cases & sanctioned cases under the grant scheme from 2015 to 2019



Thus, **very few beneficiaries** have been given assistance under this scheme.

4.3 Training Schemes

The said scheme has been implemented in the Corporation since the year 1979-80. Initially, under the scheme, candidates from 7th pass to matric failure (matric pass for typists and short typists) were given training in various technical occupations and their skills and employability were increased, Besides, the trainee was given a stipend of Rs.150/- per month. The duration of training was generally six months (one year in case of those with some technical education). During the training period, the training fee and training materials worth Rs.400 were sanctioned by the Corporation.

Subsequently, based on the Government of India's Ministry of Social Welfare guidelines dated 21.04.1990, the Corporation revised the norms:

1. If training is arranged in the same village/town where the candidate resides, the students will be paid Rs.150 per month through the Corporation as stipend.
2. If in Municipal Corporation area, the stipend would be Rs.250/- per month.

Besides, vide a letter from Department of Social Justice and Special Assistance, dated 25th August 2015 under the said scheme per trainee expenditure to the tune of Rs.15,000/- was approved. Also, the monthly rate of tuition fee was increased to Rs.1,000/- per month.

Below is a snapshot of the types of training provided, institutions where training is provided and number of trainees covered in recent years.

1. Types of Training Provided: Computer Software and Hardware, Networking, Beauty Parlour, Motor Driving, Tailoring, Tally9, Accounting, Fashion Designing etc.
2. Institutions where training provided: Training programs are conducted through District Offices of MPBCDCL by Gorgeous Institute of Technology, Aspire Knowledge and Skill India as per the norms of NSQF and Ministry of Skill Development, Government of India.
3. Trainees covered in last five years are as follows:

Figure 05: Trainees trained in the last five years

SN.	Year	Trainees
1	2017-18	7,714
2	2018-19	2,200
3.	2019-20	7,896
4.	2020-21	0
5.	2021-22	0
TOTAL		**17,810**

4.4 Direct Loan Scheme

As per a Government decision in December 2018, the loan limit of the Direct Loan Scheme of Rs.25,000/- was increased to Rs.1,00,000/-. The direct loan scheme was implemented from the share capital received by the Corporation. While the project investment limit is set at up to Rs.1,00,000/-, the Corporation’s participation is set at Rs.85,000/- (balance includes grant of Rs.10,000/- and applicant's own contribution of Rs.5,000/-). **However, the scheme was implemented only for a short period of one year** and no government extension was obtained for it. Hence, the scheme currently stands closed.

4.5 Linkage with Integrated Rural Development Plan

In District Rural Development Agency (DRDA) schemes, the Corporation approves an additional grant of 33.33% or 25% after the bank approves 50% of the loan and DRDA approves 16.67% or 25% of the loan cases sent to the banks through the District Rural Development System in the rural division.

4.6 Share Capital Purchase Scheme of Co-operative Societies

A direct loan of Rs.200/- is sanctioned through the Corporation to a Scheduled Caste or Neo-Buddhist applicant to become a member of the Co-operative Society to be used towards purchase of shares. Financial assistance of up to Rs.1,000/- was being provided for purchase of parts of co-operative yarn mills. Rs.500/- from the bank and Rs. Rs.500/- from the corporation as a grant of - were also included. Further, Rs.2,000/- was being provided as financial assistance for purchase of parts of Sugar Cooperative Samiti (split as Rs.1,000/- Bank Loan and Rs.1,000/- as the Corporation’s grant).

4.7 Educated Unemployed Scheme

Under this scheme, after sanctioning 75% loan from the bank, the Corporation would offer Rs.1lakh to Rs.2lakh. Besides, 15% seed capital was sanctioned to educated unemployed applicants. The criterion for educated unemployed applicants was to be matric or ITI certificate holders or between 18 to 40 years of age.

4.8 IAS, IPS and Pilot Training Scheme

Vide the GoM's, Social Welfare, Cultural Affairs and Sports Department Government Decision No. 1095/P.No.166/ Vighyo, dated 29th July, 1995, there was an approval to establish a training centre for preparation of competitive examination for Scheduled Caste/New Buddhist candidates. Accordingly, the Corporation started a coaching centre in Pune for various competitive examinations with the help of Pune University through the Department of Social Welfare. Subsequently, in 1995-96 and in 1996-97, IAS/IPS Pre-Competition Training Centre Scheme was implemented in Mumbai, Amravati, Nagpur, Navi Mumbai, Aurangabad, Osmanabad, Nanded, Parbhani and Beed districts with the support of non-government organisations (NGO).

However, as stated by the officials, most of the above schemes were implemented at some period of time but all of them now are not implemented by the corporation.

4.9 MIDC Plot scheme

In the year 1989-90 through the Corporation, vacant plots were purchased at 25 places in MIDC industrial estates in 23 districts from Special Central Financial Assistance Fund for the purpose of establishing and transferring various projects to Scheduled Caste people under the Group Project Scheme. However, these projects were constructed only on 10 plots out of them.

4.10 Schemes implemented by the Industries Department

The Government of Maharashtra issued government resolutions (GR) dated 11.02.2016, 11.05.2016, 05.01.2017 and 29.03.2019 and entrusted the implementation of a few schemes for SC beneficiaries to the Department of Industries, GoM.. The schemes were for specific categories of industry and assistance is in the form of investment in these units supported by the schemes. The investment comes from the corpus created by the state. This also includes a venture fund is being implemented by the Industries Department, through IDBI Capital.

5 Schemes of the Government of India implemented by the Corporation –

5.1 NSFDC: The central government has established the National Scheduled Castes Finance and Development Corporation (NSFDC) at the national level with a head office at New Delhi. The MPBCDCL is appointed as the channel agency to implement NSFDC schemes in the state of Maharashtra since the year 1991-92. Under the aegis of the NSFDC, an amount up to Rs.30.00 lakh is provided to beneficiaries as part of the term loan scheme. In this scheme, the applicant's project investment is split as 75% amount from NSFDC, 20% from MPBCDCL, and 5% amount as applicant's own contribution. The expenses incurred under this scheme are divided from the share capital received from the State Government and the Central Government. Apart from this scheme of term loan, schemes of Micro Credit Finance (MCF) and Mahila Samriddhi Yojana (MSY) are also implemented by through the NSFDC.

In the year 1992-93, some important decisions were taken on NSFDC schemes. NSFDC accepted 10% margin money. Grants sanctioned under NSFDC scheme were to the extent of Rs.5,000/-. Rs.142.92 crores have been received from the Government of Maharashtra under the NSFDC scheme from 1991-92 to 2019. Rs.8.65 lakh guarantee fee has been paid to the government till the year 2013-14. Subsequently, from 2014-15 to 2020-21, the guarantee fee of Rs.72.21 lakhs yet to be paid.

5.2 Micro Credit Finance (MCF) and Mahila Samriddhi Yojana (MSY) under NSFDC scheme

5.2.1 Micro Credit Finance: In the financial year 2005-06, financial assistance of up to a project limit of Rs.30,000/- at an interest rate of 5% was provided to beneficiaries. The scheme could also be implemented through NGOs. The recovery period was 3 years. In the financial year 2016-17, the project investment limit was increased to Rs.50,000/-. Subsequently, in the financial year 2019-20, the project investment limit was further enhanced to Rs.1,40,000/-. The NSFDC term loan's project investment limit is 75% and is now disbursed at an interest rate of 5.5%. A seed capital of 20% of the project investment limit from the corporation is charged at 4% interest rate, of which Rs.10,000/- is subsidy. Under the Micro Credit Finance Scheme, from the financial year 2005-06 to 2012-13, a total amount of Rs.2,312.13 lakh, split as term loan of Rs.1,545.24 lakh and grant of Rs.766.89 lakh, has been distributed to 7,877 beneficiaries.

5.2.2 Mahila Samriddhi Yojana: In the financial year 2007-08, project cost up to Rs.30,000/- for women was financed at an interest rate of 4%. The recovery period remained three years. In the financial year 2016-17, the project limit was enhanced to Rs.50,000/- and further to Rs.1,40,000/- in the financial year 2019-20. The NSFDC term loan project limit is 75% and is disbursed at an interest rate of 5.5%. A seed capital of 20% of the project limit from the corporation is charged at 4% interest rate, of which Rs.10,000/- is subsidy. Under this Yojana (scheme) from 2005-06 to 2014-15, a total amount of Rs.2,820.75 lakh has been disbursed to 9,668 beneficiaries as term loan of Rs.1,723.16 lakh and grant of Rs.1,097.59 lakh.

5.3 Training Scheme: In the period 2005-06 to 2007-08, a training scheme was implemented under the NSFDC scheme. It provided 40 trainings with an investment of Rs.9 lakhs.

5.4 Higher Education Loan Scheme - (ELS) – As per NSFDC CIRCULAR dated 23 June 2011.

For professional and technical higher education under NSFDC scheme, with effect from 01.04.2011, the provisions include, domestic loan limit as Rs.10,00,000/- and foreign loan limit as Rs.20,00,000/-. NSFDC

Term Loan Limit Interest Rate has been 4% however for women beneficiaries it is 3.5%. In this scheme, the annual income limit of applicant's family is Rs.3,00,000/-. Under the Higher Education Loan Scheme from 2010-11 to the end of 2019-20, a total of Rs.85.39 lakh funds were disbursed to 89 beneficiaries as term loans of Rs.83.31 lakhs and applicant's participation of Rs.2.08 lakhs. Under the Higher Education Loan Scheme, 7 loan cases were recommended to the NSFDC for the financial year 2021-22 and 2022-23, as well as educational loan proposals up to August 2022.

5.5 National Safai Karmachari Finance and Development Corporation (NSKFDC) Schemes

NSKFDC was established by the central government to rehabilitate sanitation workers and their dependent families at the national level. The MPBCDCL was appointed as the channelized mechanism to implement the schemes of NSKFDC in the state of Maharashtra. The NSKFDC scheme has been implemented at MPBCDCL since 1997.

5.5.1 Term Loan Scheme – Under this scheme, for various businesses through NSKFDC,. term loans are provided for project investments ranging from Rs.1 lakh to Rs.5 lakh. From 1997-98, the NSKFDC Term Loan Scheme was launched in which funds amounting to Rs.191.50 lakhs were received in 150 sanctioned loan cases. As per the guidelines of NSKFDC, the project limit of term loan scheme has been increased from time to time and currently the project limit is Rs.1 lakh to Rs.15 lakh. Under the scheme, till the year 2009-10, seed capital of Rs.117.43 lakhs and subsidy of Rs.188.49 lakhs were distributed. But the seed capital amount was waived as per the norms of NSKFDC and the Corporation. Also, as per the definition of income limit in the guidelines of the Special Central Financial Assistance Scheme, the amount of subsidy was excluded as the income of many sanitation workers was below the poverty line. Thereby, funds amounting to Rs.16,344.34 lakhs were received in 6,210 loan cases till the year 2019-20 out of which 4,330 beneficiaries received Rs. 12,915.56 lakh funds.

5.5.2 Micro credit finance – This scheme started from year 2007-08. In this scheme, Rs. 30,000/- was the loan limit from NSKFDC, initially, then increased to Rs.50,000/- in 2019-20. Further, as per 18.03.2020 LOI, the loan limit was enhanced up to Rs.60,000/- in which NSKFDC participation is 90% and beneficiary participation is 10%. Also, as per the definition of the income limit of the guidelines in the Special Central Financial Assistance Scheme, the amount of subsidy was excluded as the income of many sanitation workers was at or below the poverty line. The rate of interest is 5% with a recovery period of three years. In the year 2008-09 in 1,000 sanctioned loan cases Rs.200 lakh was received and then till 2019-20 Rs.1,912.66 lakh was received in 6,567 loan cases. Of these, 4,672 beneficiaries received Rs.1278.38 lakh as funds disbursed. Also, up to the year 2009-10, a grant of Rs.319.85 lakhs has been distributed.

5.5.3 Mahila Samriddhi Yojana – Mahila Samriddhi Yojana (scheme) started from the year 2007-08 with Rs.30,000/- as the loan limit from NSKFDC, New Delhi. Vide letter dated 03.07.2012, the loan limit was enhanced up to Rs.50,000/-. Also, as per the decision dated 18.03.2020 LOI, the loan limit was enhanced up to Rs.60,000/- in which NSKFDC participation is 90% and beneficiary participation is 10%. Also, as per the definition of the income limit of the guidelines in the Special Central Financial Assistance Scheme, the amount of subsidy was excluded as the income of many sanitation workers is at or below the poverty line. The rate of interest is 4%. The recovery period is three years. In the year 2007-08 in 300 sanctioned loan cases, funds amounting to Rs.60lakhs were received and then till the year 2019-20, funds amounting to Rs.1,131.70 lakhs were received in 4,040 loan cases, of which Rs. 935.09 lakh have been disbursed. Also, up to the year 2009-10, a grant of Rs.373.68 lakhs has been distributed.

5.5.4 Mahila Adhikarita Yojana – Mahila Adhikarita Yojana started from the year 2010-11. Rs.50,000/- was the loan limit from NSKFDC, which was further enhanced to Rs.10,0000/-. Of this, NSKFDC participation is 90% and beneficiary participation is 10%. The rate of interest is 5%. The recovery period is three years. In the year 2013-14, 295 sanctioned loan cases received funds amounting to Rs.199.13 lakhs, then till the year 2019-20, 895 loan cases received funds amounting to Rs.289.13 lakhs, of which 309 beneficiaries received Rs. 211.72 lakh funds.

5.5.5 Higher Education Loan Scheme – Educational loans are provided to scavengers and their dependents for pursuing vocational or technical degree or post graduate education. Loans are also given for pursuing higher education in engineering, medical education, management, legal profession. Up to 90% of the total cost will be loaned through NSKFDC and 10% will be contributed by trainees. Loan limit of Rs.10,00,000/- apply domestically and for abroad it is up to Rs.20,00,000/-. Higher education loan scheme started from year 2010-11. In 2010-11, in 1 sanctioned loan case, the loan amount was Rs.6.75 lakhs, then till year 2019-20, loan funds amounting to Rs.34.45 lakhs in 11 loan cases were received and Rs. 64.10 lakh funds have been disbursed.

5.5.6 Training – Under the NSKFDC scheme, sanitation workers are given training in various business trades through government recognized institutions to acquire the necessary technical skills to launch a business. The training scheme started from the year 2011-12. In 2011-12, 400 sanctioned loan cases received funds amounting to Rs.21.60 lakhs then till year 2019-20, Rs.68.18 lakhs for 1,210 trainees had been received. Of this, as at 31 March 2020, the NSKFDC had disbursed Rs.29.73 crores.

5.5.7 Scheme for Rehabilitation of Manual Scavengers (SRMS): On the 150th birth anniversary of Mahatma Gandhi, implementing the concept of 'Clean India' was a fitting tribute to him. Therefore, on 02 October 2014, Hon. Prime Minister started the 'Clean India' campaign. To provide clean environment and good health to the citizens of all cities of the country, the central government started the country-wide implementation of 'Swachh Bharat Abhiyan'.

The Ministry of Housing and Urban Affairs (MoHUA), Government of India released the Standard Operating Procedures (SOP) in this context, in which it mentioned that the cleaning of sewage channels once in six months and cleaning of cesspits once in a year should be done completely mechanically and by using updated technology. Also, the MoHUA published the guidelines for establishing ERSU (Emergency Response Sanitation Unit) in the year 2019 to ensure the safety of workers while cleaning sewers and cesspools by using manpower with technical and managerial skills to determine their safety. For effective implementation of ERSU, an RSA (Responsible Sanitation Authority) was appointed at district level and municipal level. Besides, the Manual Scavengers Act, 1993 supports the employment of manual scavenging labour.

Besides, the National Manual Scavengers Survey was conducted in selected 14 districts in the year 2017-18 in the state of Maharashtra. Applications of self-proclaimed manual scavengers were received. Applications of 7,378 manual scavengers were self-attested and sent to the National Scavengers Finance and Development Corporation. According to this, through the National Sanitation Staff Finance and Development Corporation, Rs.40,000 each were deposited in bank accounts of 5,645 beneficiaries.

NSKFDC started a self-employment scheme for the rehabilitation of manual scavengers for a period of five years from the year 2021-22 to the year 2025-26 by 18th April 2022. A total of 19,911.215 lakh funds has been received under the NSKFDC scheme so far and financial assistance of Rs.17,678.97 lakh has been provided to 14,561 beneficiaries. In the year 2019, the corporation received a guarantee of Rs.35 crore on 25.02.2019 and the said guarantee was valid till December 2014.

Thus, it is seen that the corporation has been implementing various schemes since the year 1978. The following table gives an overview of the number of beneficiaries covered and the amount involved there in so far.

Figure 06: Total Expenditure for the year from 1978-79 to September 2013

(Rs. in lakhs)

SN	Scheme	No. of Beneficiaries	Subsidy	Margin Money	Term Loan	Total
A)	**SCA**					
1	50% Subsidy	557490	26874.23	0.00	0.00	**26874.23**
2	IRDP	173113	812.78	0.00	0.00	**812.78**
3	Gen. Training	82707	5242.99	0.00	0.00	**5242.99**
4	Co.op. Society	61565	188.27	0.00	0.00	**188.27**
5	Sakar Project	0	260.00	0.00	0.00	**260.00**
6	Group Project	11	165.73	0.00	0.00	**165.73**
7	Gramudyog	393	20.33	0.00	0.00	**20.33**
	Total	**875279**	**33564.33**	**0.00**	**0.00**	**33564.33**

B)	**Margin Money**					
1	Margin Money	85960	3043.27	11702.75	0.00	**14746.02**
2	EPP	1598	0.00	80.36	0.00	**80.36**
3	Pilot	31	0.00	124.00	0.00	**124.00**
	Total	**87589**	**3043.27**	**11907.11**	**0.00**	**14950.38**
C)	**Direct Finance**					
	(Male/Female)	1581	108.25	1104.40	0.00	**1212.65**
	Total	**1581**	**108.25**	**1104.4**	**0.00**	**1212.65**
D-1	**National Scheme for Liberation & Rehabilitation of Scavengers (NSLRS) up to 2006-07**					
1	Rehabilitation	24317	2281.63	866.86	0.00	**3148.49**
2	Training	23588	1173.59	0.00	0.00	**1173.59**
	Total	**47905**	**3455.22**	**866.86**	**0.00**	**4322.08**
D-2	**Scheme for Rehabilitation Manual Scavengers (SRMS) up to 2007-08 to 2009-10**					
1	Rehabilitation	3538	490.76	16.13	2733.82	**3240.71**
2	Training	3855	380.86	0.00	0.00	**380.86**
	Total	**7393**	**871.62**	**16.13**	**2733.82**	**3621.57**
D-3	**NSKFDC (Training/TL/MCF/MSY/ Educational Loan)**					
1	Term Loan	4336	188.49	117.43	12800.36	13106.28
2	Micro Finance	4672	319.85	0.00	1271.36	1591.21
3	Mahila Samriddhi Yojana	4028	373.67	0.00	925.91	1299.58
4	Mahila Adhikarita Yojana	309	0.00	0.00	200.92	200.92
5	Training	1210	0.00	0.00	88.99	88.99
6	Educational Loan	12	0.00	0.00	64.10	64.10
	Total	**14567**	**882.01**	**117.43**	**15351.64**	**16351.08**
	Total (D1+D2+D3)	**69865**	**5208.85**	**1000.42**	**18085.46**	**24294.73**
E	**NSFDC**					
1	Term Loan	12667	934.24	4572.79	18505.43	**24012.46**
2	Micro Finance	7877	766.89	0.00	1545.24	**2312.13**
3	Mahila Samriddhi Yojana	9668	945.02	0.00	1723.16	**2668.18**
4	Training	40	0.00	0.00	9.00	**9.00**
5	Educational Loan	94	0.00	0.00	164.72	**164.72**

	Total	**30346**	**2646.15**	**4572.79**	**21947.55**	**29166.49**
E	**NBCFDC**	**3526**	**0.00**	**0.00**	**1939.36**	**1939.36**
F	**NMFDC**	**850**	**0.00**	**0.00**	**562.60**	**562.60**
G	**NHFDC**	**89**	**0.00**	**0.00**	**41.44**	**41.44**
	Total	**4465**	**0.00**	**0.00**	**2543.40**	**2543.40**
	Total (A+B +C+ D-1+D-2+D-3+E+F+G)	**10,69,125**	**44,570.85**	**18,584.72**	**42,576.41**	**1,05,731.98**

From the table it can be seen that total of around Rs. 1057 crore have been disbursed so far by the corporation with Rs. 445 crore as subsidy, 185 crore as margin money and Rs 425 crore as term loan. Considering the period of 45 years and the SC population of the state, the amount invested is not much.

6 Loan Recovery

6.1 Loan recovery status

Loan disbursement is an important activity of the corporation and in order that the corporation keeps the fund available with it and in the process covers more and more beneficiaries. It is essential that loan recovery is good and that the disbursed loan is recovered in time. The loan recovery position of the corporation is given in the **Annexure 2**. It is seen that the recovery ranges from 11% to 27% depending on the schemes. It is understood that the loan recovery was relatively better in MPBCDCL’s direct loan scheme, although this scheme was implemented for a fairly short time. In comparison, NSKFDC-related loan recovery has been the lowest. Besides, overall default on loans was very high, to the tune of 80% for a significant part of MPBCDCL’s history. Despite the fact that the state government created an independent vertical for loan recovery with a dedicated General Manager heading it, this intervention has not made any impact on the loan recovery.

6.2 Reasons for low loan recovery

Following is the written feedback given by the corporation to the Study Group regarding loan recovery.

1. The GoM announced the Corporation's loan waiver scheme in 2008. This was meant for waiving off of loans of beneficiaries who had not repaid loans at all. This step disappointed those beneficiaries who had repaid loans partially or regularly and had expected loan waivers too based on their better track records. Thereby, the MPBCDCL was faced with a tricky situation at hand, wherein their recovery rate dropped based on a drop in previously regular repayments.
2. The MPBCDCL is under the jurisdiction of the Social Justice Department (GoM). It does not have the authority to coerce beneficiaries to repay loans. Coercion for loan repayment has the potential to ruffle feathers amongst beneficiaries and could be politically sensitive. Hence, active follow up for loan recovery is low thereby releasing beneficiaries of any pressure to repay (while the accountability on paper remains).
3. Since March 2020, due to the outbreak of the COVID-19 pandemic, the GoM had announced a lockdown thus adversely affecting the already low loan recovery rates.
4. The MPBCDCL seeks sureties from *Jamindars*-for the loan holders. However, processes are faltering. In that, notices and salary deduction letters are not sent to all sureties and the loan recovery implementation gets derailed.
5. The amount of loan that is given through the corporation is insignificant or small in many cases, so the loan holder typically does not get the required loan. Basis competition in the market and in the business, a creditor of MPBCDCL cannot survive in just that. The creditor is thus forced to tie in more loans from other sources. Even without getting enough loans, the creditor fails in the market as a result of which his recovery is comparatively less so the recovery rate at MPBCDCL is also seen to be decreasing.
6. As seen above in various schemes through which MPBCDCL supports beneficiaries, the beneficiary's participation / own contribution is also considered in the loans given to the beneficiaries by the MPBCDCL. As most beneficiaries are poor, they tend to arrange their own contribution by taking another loan from local moneylenders with high interest rates. They are charged interest on interest in the event

of non-payment of loan as per schedule. The beneficiary in many cases, does not have a strong entrepreneurial grounding or experience, hence fails at business and also prioritizes loan repayment to money lender when they do have the capacity to repay. This has a negative impact on MPBCDCL's loan recovery rate.

7. Creditors popular belief is that the MPBCDCL's loan is not a loan but a grant. Due to lack of sensitization and awareness on this aspect, several beneficiaries end up with no repayments.
8. Loans are given under the seed capital scheme through the corporation. Loan instalments of both the banks and of MPBCDCL tend to fall due simultaneously. This creates repayment pressure on the borrower who most often prioritizes instalment payments to the bank.
9. Beneficiaries receiving loans from MPBCDCL are often found not utilizing the loan for the project or business that the loan was originally taken out for. They could be used for one-time expenses such as weddings or in failed businesses, thus reducing the possibility of loan recovery at MPBCDCL.

7 Feedback from Evaluation Reports

7.1 Tata Institute of Social Sciences, Mumbai

The task of surveying the sanitation workers in the state was given by the Corporation to the Tata Institute of Social Sciences (TISS), Mumbai. Accordingly, the said organization has given the following recommendations for individual beneficiary schemes relating to the upliftment of cleaning workers.

1. The financial assistance provided till date by the government under various national schemes to the sweepers for their welfare is Rs.50,000 with a maximum subsidy of 50% and with a maximum limit of Rs.10,000. The current policy provision as margin money at 15% is not sufficient at all.
2. Moreover, it has not been improved for a long time.
3. Considering the present times, cost of materials, initiation of any project as well as standard of living, the financial assistance limit is recommended to be increased from Rs.1,50,000 to Rs. 2,00,000. It may

have a similar subsidy component (50% subsidy with ceiling of other components and margin money) to enable them to undertake viable projects for their socio-economic transformation and livelihood.

7.2 Administrative Staff College of India (ASCI), Hyderabad

1. In loan cases received under Seed Capital Scheme, only the loan cases of eligible applicants should be sent to the bank for further approval.
2. The loan cases sent to the bank for approval remain pending in the bank for a long period of time due to lack of approval. Because of this, the morale of beneficiaries drops as loan benefits are delayed. The applicant who is deprived of the loan benefit should get the benefit of the scheme within a short period of time.
3. Beneficiaries need to choose business and plan district-wise for economic upliftment.
4. Micro-planning, identification of infrastructure needs, establishment of common livelihood infrastructure, training/technical facilities as per need and linkage with market for sale of goods produced by the beneficiaries, are upcoming requirements.
5. It is necessary to promote and implement the schemes, select eligible applicants, ensure that the beneficiary's business continues after disbursement of the loan and devise a proper procedure for loan repayment.
6. After getting the benefit of the loan, the Corporation should remove the feeling that arises in the mind of the beneficiary about the said loan being waived. After disbursement of loans, the corporation has inadequate follow up mechanism of the beneficiaries.

8 Audit Objections Recorded

1. The corporation has not regularly deducted tax from the original contribution as per the provisions of the Income Tax Act, 1961. No income tax return has been filed and no provision has been made for tax as per Section 139 of the Income Tax Act, 1961.

2. The Corporation has not complied with the provisions of Section 383A of the Companies Act, 1956 regarding the appointment of Company Secretary.
3. The Corporation has not complied with the provisions of Section 292A of the Companies Act, 1956 regarding the establishment of an Audit Committee.
4. Provisions of Clause (2) of Article of the Establishment Schedule Rules for seeking prior approval of the Administrative Department of Government in respect of items of expenditure involving an amount exceeding 1.00 lakh have not been followed.
5. The Corporation has not complied with the provisions regarding filing of various forms with the Registrar of Companies as required under the provisions of the Companies Act.
6. The Corporation has a centralized issue centre at the head office for processing loan cases under NSFDC, NSKFDC and NHFDC schemes. Loan cases are approved at the head office and allocation is made directly to the supplier and the same is communicated to the District Manager. The said loan is expected to be recorded in the loan account in the district office. So that recovery can be controlled. But the internal control system between approval of the loan case at the head office and recording it in the loan account at the district office is weak. It cannot be assured that every loan case allocated by the head office is recorded in the loan account.
7. Considering the scope and nature of the Corporation's operations, the Corporation does not have adequate internal control system in respect of acquisition of fixed assets and provision of services. The Corporation has not met the various objections mentioned in the Internal Audit and Statutory Audit Report.
8. There is no experienced and competent staff in the accounts department in the head, regional and district offices of the Corporation.
9. Seed capital loans to the beneficiaries, NSFDC, NSKFDC, NHFDC, NBCFDC and NMFDC as well as seed capital loans under NSS scheme have been outstanding for a long time and are pending since 2008-09. Also subject to confirmation and reconciliation.
10. The Corporation has not identified bad and doubtful debts and no provision has been made for the said loans.

The Study Group has been informed by the officials of the Corporation that various audit objections have been complied including the appointment of the CS. However, we recommend that the if any mandatory compliance is pending it needs to be looked into with urgency.

Besides, it is the Study Group's observation that prima facia, it seems that some statutory compliances mandated under the Companies Act and Income Tax Act are pending.

The Corporation has not met various objections recorded in the Statutory Audit Report from time to time. The MPBCDCL should take serious note of this and initiate corrective measures to ensure financial discipline. It is recommended that the Internal audit system should be strengthened to address this issue.

9 Emerging Scenario

9.1 Micro, Small and Medium Enterprises (MSME)

The economy of the country depends on the industries of the country. India is currently in a developing state, which means new businesses are starting up in the country. The largest contribution to the GDP of the country is made by the small and large industries of the country. Keeping this in mind, the GoI launched the MSME scheme to promote new industries in 2006.

Under this scheme, industries are divided into 3 categories, i.e., Micro, Small and Medium Enterprises. These include small scale industries engaged in the production, processing, storage and preservation of goods. Many small and big enterprises make profits through this scheme.

At the time of establishment of the Ministry of MSME, the classification of industries was decided based on the value of plant, machinery and/or equipment used in it and annual turnover. MSME was changed after implementation of Goods & Services Tax (GST) in 2018. The current classification (revised as of 01 July

2020[5]) of industries by MSME (for both manufacturing enterprises and enterprises rendering services) is as follows.

Micro: up to Rs.1 crore investment and up to Rs.5 crore annual turnover; Small: up to Rs.10 crore investment and up to Rs.50 crore turnover; and Medium: up to Rs.50 crore investment and Rs.250 crore turnover[6].

9.2 Sector Skills Council

A major pillar of the National Skill Development Corporation (NSDC) is the Sector Skill Council (SSC). The SSCs play an important role in bridging the gap between what the industry demands and what the skill requirement should be.

The Skill India Mission was created under the National Skill Development and Entrepreneurship Policy, 2015 and the idea of creating Sector Skill Councils was implemented by the National Skill Development Corporation (NSDC).

9.3 Mahatma Phule Renewable Energy & Infrastructure Limited - Mahapreit

The MPBCDCL's subsidiary company is Mahatma Phule Renewable Energy and Infrastructure Technology Ltd. According to the decision taken in a meeting on the grounds of public interest, the company was registered under the Companies Act, 2013 on 12 April 2021 and the information regarding this has been brought to the notice of the government.

At present, the authorized share capital of Mahapreit till the subsidiary is fully operational is Rs.1 lakh. It is proposed to implement an innovative scheme under the head of *Navyug* under the Mahapreit company and

[5] Source: https://msme.gov.in/know-about-msme
[6] Source: https://msme.gov.in/know-about-msme

the said multi-faceted scheme will help to raise the economic and social level of the scheduled caste citizens of the backward class society. Besides, Mahapreit is expected to provide entrepreneurship skills or capacity building for the target beneficiaries. The proposed projects under Mahapreit are as follows.

1) Renewable Energy & Electric Vehicles Charging Stations (EV); 2) Software Technology Park and Data Centre; 3) Infrastructure Technology Projects;4) Agro Processing Value chain and Biofuels; 5) Affordable Housing; 6) Corporate Community Development; 7) Environment and Climate Change; 8) Energy Audit and Corrective systems; 9) Emerging Technology Areas and 10) Women Entrepreneurship and Convergence.

As per the feedback from officials, it is expected that much employment can be generated from the above-mentioned backward class welfare schemes and projects and the various projects and schemes of the corporation will be implemented more effectively and qualitatively by integrating the various schemes and projects of the various industrial organizations of the state / central and state governments in the said Mahapreit company. Further, as per the officials, no direct/indirect financial assistance will be sought from the Government for the said newly established Mahapreit Company and in fact, the profit generated through the Mahapreit Company in the future without employment and empowerment of Scheduled Caste beneficiaries will be available to the Government in the form of significant dividends and for strengthening the financial base of the Mahatma Phule Backward Class Development Corporation.

It needs to be mentioned here that, in addition to the above state government initiatives, Government of India has taken important policy initiatives in the area of entrepreneurial development (ED) including well established schemes like Stand-up India, MUDRA etc. More of these are discussed in the subsequent chapters.

Chapter 2

Entrepreneurship Development

2.1 Entrepreneurship Development Overview

Entrepreneurship Development (ED) is the practice of developing individuals, skilled in a trade, a service or manufacturing of a product, into entrepreneurs. **ED involves equipping them with the knowledge, skillset and tools** to set up, operate, and scale up their trades/services/businesses and further on, manage and organize their businesses.

Individuals enrolled in structured, formal and time-tested ED programs not only have the skills and tools but also the confidence and wherewithal to step up as business owners and set bigger and more defined growth goals. They may choose to operate in several different ways including setting up an enterprise as proprietorship, partnership, or other forms of entity that may best suited to their industry, service, trade or business and as permitted by the law of the land.

Thus, ED is a strategic process which helps build entrepreneurial acumen through structured programmes and sessions and support the entry of individual and small/micro business owners from different geographies into mainstream markets. Therefore, developing the individual lies at the heart of any ED process.

As such, entrepreneurship in India has been showing up visibly on the back of vast domestic consumption demand and as a result of economic reforms that were rolled out in the early 1990s. The industrial and trade policy thrust has backed up the reform process. This has included encouraging existing entrepreneurs running small businesses[7] to undertake modernization including technology up-gradation so that they become more competitive and giving impetus to development of entrepreneurial skills by establishing **Entrepreneurship Development Institutes (EDI)** & ED Centres, both at a national level (example:

[7] Traditionally called small-Scale Units (SSIs).

National Institute of Entrepreneurship and Small Business Development (NIESBUD)), and at state level including a few in Maharashtra as well (example: Maharashtra State Centre for Entrepreneurship Development (MCED)). A representative list of these institutions is produced in the **Annexure 3**.

Accelerating entrepreneurship development would include addressing various challenge areas **such as improved financial infrastructure, technology development, adopting strategic management approaches** (including financial and non-financial goals), specialised human resource functions, free flow of information between supply & demand side and thrust on diversity & inclusion are also to be prioritized.

2.2 Applicability of entrepreneurship development to MPBCDCL

The total estimated population of Maharashtra in 2023 is 124,904,071[8] of which 11.8%[9] are scheduled castes. As mentioned earlier, there are 59 types of SCs in the state within which above 5 million are neo-Buddhists (the highest of all neo-Buddhists against all other states in India). Given the sheer magnitude of the SC population in the state on the one hand and the fast-paced market-driven economy of the state on the other hand, it becomes imperative that the demographic dividend and the skills of SCs are nurtured in a sustainable manner to contribute to such growth.

Entrepreneurship Development of scheduled caste (SC) beneficiaries is one of the most important objects of the MPBCDCL. Historically, SC entrepreneurs have typically been more in rural and semi-urban areas than in urban areas. Their businesses or ventures have been small, they operate more or less in silos with traditional wisdom, tools & skills, hardly have any contact with mainstream markets, are less adept at making professional business or project plans, may struggle with understanding basics of financial management or raising capital (for example: heavy reliance on private & unorganised funds such as friends/relatives, lack of access to capital markets, lack of focus on optimum capital mix), are unable to optimize marketing of their produce, lack communication with vendors & consumers, showcase poor or no recordkeeping of their businesses, are not aware of professionally run credit avenues, may desire to scale

[8] Source: Source: https://www.indiacensus.net/states/maharashtra
[9] Source: https://pscnotes.in/caste-wise-population-of-maharashtra/#:~:text=The%20numbers%20of%20castes%20and%20tribes%20in%20Maharashtra,Scheduled%20Castes%3A%2059%20castes%20Scheduled%20Tribes%3A%2047%20tribes

up their businesses but do not know how to, and have limited understanding of how to become profitable and sustainable. These features make them both less competitive and less confident as industry players.

As mentioned earlier, ED of SC beneficiaries is one of the most important objects of the MPBCDCL[10]. However, upon a **review of the MPBCDCL's functioning, the study group finds that there is no scientific and systematic approach to entrepreneurship development for its targeted beneficiaries.** Therefore, incorporating ED to address and overcome the above-mentioned issues is one of the solutions to upgrading and up-skilling of this marginalised community in the mainstream economy of Maharashtra.

This is all the more significant in case of marginalized or underprivileged population groups i.e., economically backward castes, particularly as based on legacy, they have been further drawn away from mainstream businesses and markets. Besides, the government's (including that of the state government) role as a job provider has been reducing over the decades given divestments in the public sector and the rise of private sector opportunities. Hence, attracting and developing entrepreneurial activity both for self-employment and for employment for others too is seeking greater importance for this population group. The study group believes that ED has the potential to drive & streamline all other areas for a robust scheduled caste-established enterprise growth and development.

In so far as the MPBCDCL's function as a funding corporation is concerned, it has been extending funding support of various kinds such as margin money scheme, subsidy scheme, bank-linked loans, implementing the Direct Finance Scheme from the National Scheduled Castes Finance and Development Corporation (NSFDC) and National Safai Karamcharis Finance & Development Corporation (NSKFDC) to boost self-employment amongst SCs and has also implemented training programs for self-employment from the special funds of the GoI's NSFDC and NSKFDC. However, this study group has discovered that **poor loan recovery and restricted SC exposure, knowledge, attitude, and skills to develop as entrepreneurs glaringly comes to the fore amongst the many challenges that MPBCDCL is faced with in present times.** This needs a resolution.

[10] Source: Resolution no.SCW-1077/56036-D-VII dated 02 February 1978 of the GoM, directing that a Maharashtra Backward Class Development Corporation Limited be established immediately to undertake the task of economic development of backward classes (scheduled castes including Nav-Buddhas, Scheduled Tribes, Nomadic Tribes and denotified tribes) in general and Scheduled Castes and Vimukta Jatis in particular.

One way to overcome this challenge is to prepare an SC entrepreneur in a way that they are able to envision setting up and scaling up with confidence, have the clarity of their goals / business targets, cultivate the skills to professionally run their organisations, have the competence to access markets for finance & transactions, and have the conviction to compete at a domestic as well as a global scale. Supporting them in their whole entrepreneurial journey end-to-end becomes imperative and here comes the holistic solution of Entrepreneurship Development through **– a life cycle approach.** This is a management approach that deploys methodologies and practices in the lifecycle thinking of the challenge at hand – i.e., the lifecycle of an entrepreneur's activities before, in/during and while closing/exiting their business. The **focus is on boosting the quality of entrepreneurship as much as the quantity of entrepreneurs and making them feel supported at all times and remain in the 'game**'.

In case of the Corporation, the study group has **found blind funding being extended to beneficiaries**. This 'blind funding' has included extending finance without prefixing or suffixing it with any kind of ED programme, let alone a lifecycle approach. This implies that finance is being extended to beneficiaries without ascertaining their capabilities to invest the funds appropriately in the intended business. Thus, the study group concluded that this was a major lacuna in MPBCDCL's functioning.

Based on the above observation and study, our prime **recommendation is that no one should avail funds or be funded in any manner from MPBCDCL unless the necessary human capacity has been assessed and an effort is made to build the human capacity.** MPBCDCL shall need to ensure this prerequisite is met with. Thus, ED as prescribed for each level and quantum of funding should become a prerequisite for funding from MPBCDCL, going forward.

2.3 Entrepreneurship Development – Stages and Lifecycle Approach

To fulfil the prerequisite in a robust manner, the lifecycle approach including **the five stages of the entrepreneurial journey** should be offered to the SC beneficiary interested to start or grow their business. These five stages include:

(i) Idea generation/ concept development

(ii) Opportunity appraisal

(iii) Planning / Resourcing

(iv) Firm formation/ launch / set up and

(v) Growth/ Harvesting.

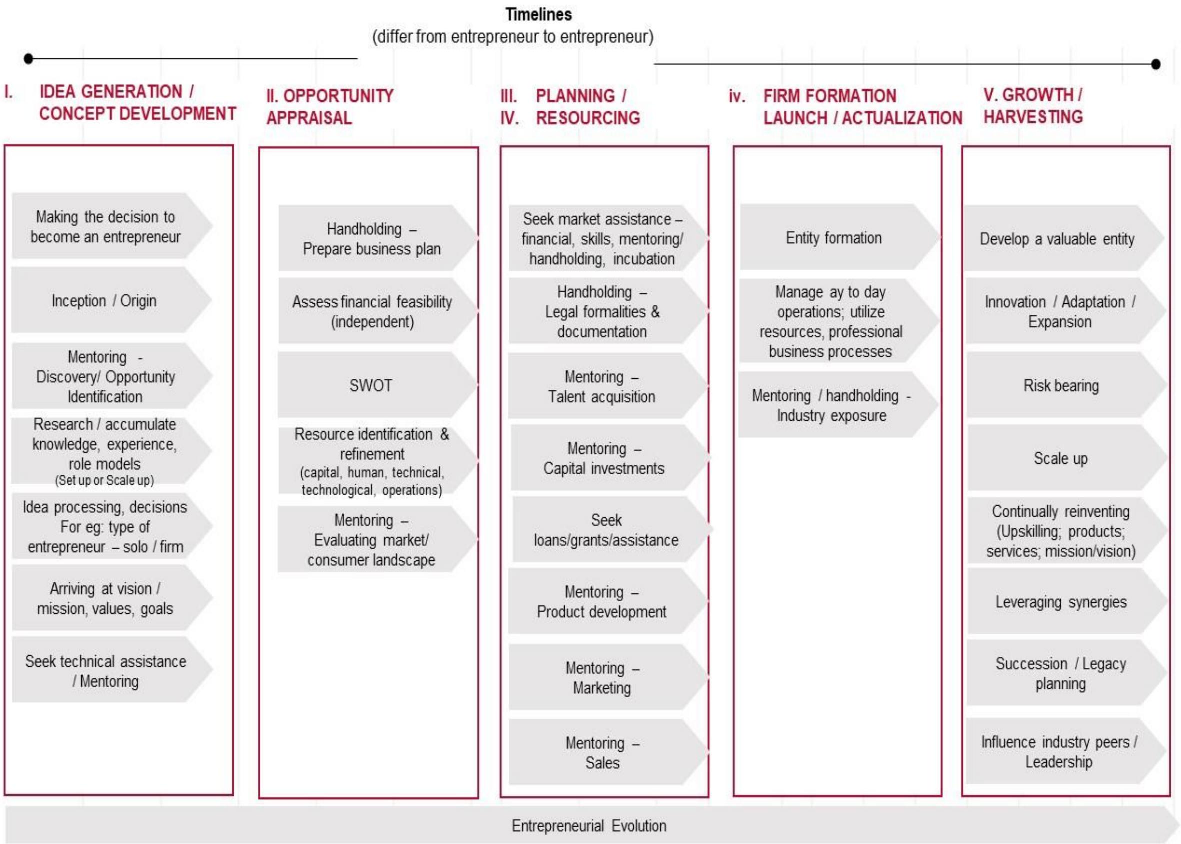
These stages are depicted in detail below[11]. These also correspond to the five stages of small business growth as stated by the Harvard Business Review (HBR)[12].

It is important to note that formal and structured ED programs of various institutions across India would help candidates understand the theoretical aspects of becoming an entrepreneur (including some practical aspects depending on the course structure and the candidate's profile and business). **The lifecycle approach of the MPBCDCL would be designed to take forward theoretical learnings as real-life application with the support of MPBCDCL's handholding of candidate/beneficiary businesses. This would be the life cycle approach in action.**

[11] Source: https://leverageedu.com/blog/entrepreneurship-development/ . Note that some literature states that there are 4 while some others states that there are 7 stages to entrepreneurship. For our purposes here, we are interested in ED whose scope is all stages of the lifecycle, regardless of the number of stages the approach may involve.

[12] Source: https://hbr.org/1983/05/the-five-stages-of-small-business-growth

Figure 07: Entrepreneurial Development Stages



Thus, following a lifecycle approach as depicted in the above visual, ED has the potential to contribute to developing the traits of entrepreneurs that would typically not be addressed by traditional streams of formal education. The five stages are briefly explained below:

1. **Ideation / Idea Generation/ Concept Development:** This the very first stage for each entrepreneurial journey. In this, a budding entrepreneur (or an existing entrepreneur trying their hand a new business) **identifies what they may prima facie consider a profitable business idea** including the ones that have been handed down to them in legacy from previous generations (for example: artisans/*balutedars*). Once they have made the decision to take forth the idea or concept on paper, they research, accumulate knowledge about their potential markets, study or reach out to role models, assess the scale at which they believe they can start off (launch) a new business or a new innovation or diversification in an existing business, define their vision & mission, and begin to seek mentoring and/or technical assistance based on the project preparation they require after conceptualisation and validation of the business concept.

2. **Opportunity Appraisal:** Much of this has been elaborated in the Appraisal chapter (later in this report) as a significant part of this report. In brief, prior to appraisal, a proposal is developed as part of the project preparation. This proposal is assessed on various counts. Entrepreneurs, who are not familiar with this would require handholding or direct service support even in preparation of a business plan in an acceptable professional format to enable assessment on pre-defined parameters. Assessments are of various types including market, technical, financial and socio-economic etc. Once the viability is established, the next stage of the entrepreneurial journey can be explored, else the project plan or proposal goes back to the drawing board.

3. **Planning and Resourcing:** If, based on the results of the previous stage, business/enterprise is ready for being actioned on the ground, it is time for the Corporation to deploy resources to support the entrepreneur with both functional and domain related mentoring/ handholding. This implies that the entrepreneur would be obliged to fulfil some corporate compliances based on industry & legal requirements and would need support from related compliance experts. On the other hand, **domain-related handholding** including training would comprise industry- or **skill-specific handholding with requirements changing from entrepreneur to entrepreneur** (example: some may need technology understanding in food processing, some others may need marketing handholding in handlooms & handicrafts and so on and so forth). This is also the stage wherein the budding entrepreneur shall work out their capital and human resource requirements and establish risk mitigation measures.

   At this stage, MPBCDCL shall evaluate if the business fits into their 'Government of India schemes' vertical, or new/redefined schemes vertical or New Age schemes vertical and advice / handhold businesses accordingly (details about the GoI scheme vertical are given in a subsequent chapter on 'MPBCDCL's New Approach to Schemes'). This is also the stage where MPBCDCL shall consider partnering with entrepreneurs (based on thorough assessments), so that they can demonstrate 'skin in the game' as an investor, beyond mentoring. It is envisaged that this approach shall generate confidence in the markets and amongst governance as well.

4. **Firm formation/ launch/ actualization:** At this stage of evolution, the entrepreneur would have registered their entity/business (example: proprietorship, partnership etc.) and launched business operations. This is the stage to check on how the financial management is, how are customers responding etc. Basically, every aspect of ED that has been learnt in formal programs earlier and with the handholding thereafter, will now be demonstrated by the entrepreneur in real business situations. Here, it's all about surviving the launch and stabilising operations.

5. **Growth / Harvesting[13]:** Post the successful launch of their business and stabilising it, and even beginning to pay back loans, the entrepreneur shall be encouraged to consider growth. This would involve steps beyond survival while still keeping a firm grip of their vision and mission for their business. At this stage, they may require **handholding for innovation, adaptation and/or expansion.** Risks to their businesses and their mitigation may need a revisit at this stage, especially if they are looking for external investors or a fresh infusion of funds in other ways.

The study group believes that if entrepreneurs were to be supported though the lifecycle as above, they would be better equipped with advanced skillsets, knowledge, competency and confidence to be a part of mainstream industry and economy.

Thus, the study group concludes that ED aids in contributing to economic development from the bottom up and is extremely relevant in the context of the large number of small entrepreneurs, that form the MPBCDCL's target group. The study group envisages that ED would be most critical to expansion of small enterprises that not only create jobs but also create opportunities for self-employment, in cities, small towns and also amongst rural communities. The **outreach and outcome of ED is gauged to be far greater than traditional formal education. This aspect of ED is thus crucial to MPBCDCL**.

[13] It may be noted that ED is not limited to classroom training or theory. It includes entrepreneurial awareness-building events / exposure visits for example, to successful clusters, including hackathon contests, workshops, exhibitions, entrepreneur talks, and mixers to encourage participation in real life scenarios, to apply ED training and to build soft skills such as confidence, negotiation, and other skills such as digital literacy and financial acumen.

Thus, the study group's recommendation is that every SC beneficiary should be assisted, mentored, monitored and even partnered throughout their project development cycle. This would be done by creating appropriate institutional structure (the proposed new organisation structure is described in another chapter of this report) in the corporation. Further, the most important and mandatory step that the MPBCDCL ought to take is to **create and consistently use a robust digital platform to track and record the progress of each beneficiary through their project lifecycle.**

2.4 Institutional Framework available for ED in India

In the context of ED for the referred population groups and size of businesses, two central government ministries are responsible. These include (i) The Ministry of Skill Development and Entrepreneurship (MSDE) and (ii) The Ministry of Micro, Small and Medium Enterprises (MSME). Over a period of time, and especially since 2016 as the MSDE was established, several key organizations working towards ED came into existence. For example: Regional Directorate for Skill Development & Entrepreneurship **(RDSDE)** and National Institute of Entrepreneurship and Small Business Development **(NEISBUD),** to name a couple. **It is recommended that the corporation engages with them by entering into MoUs.**

Furthermore, the MSDE's Entrepreneurial Schemes has given a boost to ED in the country. For example: the Pilot Project on Entrepreneurship aims to promote entrepreneurship as an alternate career choice and enable mentoring support through the journey to potential and early-stage entrepreneurs, by imparting entrepreneurship education and mentoring support to trainees/ beneficiaries from skilling ecosystem. It is being implemented through **ITIs, Polytechnics, Jan Shikshan Sansthan, Pradhan Mantri Kaushal Kendras (PMKK)** in 12 states in India, one of which is Maharashtra. It is recommended that the corporation should engage with them in the similar manner.

It is recommended that the corporation enter into MOUs with public sector institutions and organisations to undertake foundational and specialised ED programmes. It may be made **mandatory as a prerequisite** that no beneficiary would be supported with funds unless they have undertaken the necessary training programme in any of these recognised organisations (a list of training institutions, both national and state level, available all across India is provided in the **Annexure 3**) by appropriate match making to the institution that the beneficiary is best suited to be trained in. Private sector local organisations should not be engaged for this purpose, unless of national or state eminence as recommended by the standing committee of experts.

2.5 Entrepreneurs Handholding Agencies (EHA)

The Study Group recommends, a network of **Entrepreneurs Handholding Agencies (EHA)** is recommended for handholding SC entrepreneurs **to prepare project proposals**. While another entity called the **Appraisal Agency (AA), at each level** would be responsible for appraisal of such projects.

Further, the EHA's role is envisaged to be wider in so far as the support to SC entrepreneurs is concerned. In addition to handholding SC entrepreneurs with project preparation, the **EHA shall form an integral part of the ED cycle from idea development to credit and market linkages for SC-led businesses.**

Both the EHA and the AA would be appointed through competitive bid processes. However, the role of entrepreneurial development for the EHA and the DAA would kick in, only when there are beneficiaries to partake of EHA and DAA services. To target appropriate kind of and quality of beneficiaries, a structured identification process would need to be followed.

Hence, beneficiary or candidate identification will be a crucial precursor to ED.

The Corporation's process flow of candidate or beneficiary identification for ED should start at the grassroots level, particularly at ***dalit vasti* level**. A *Dalit vasti* should be the **unit** of target identification, this is more so for mudra-type of loans, which have been elaborated subsequently in this report in the 'Approach to New Schemes' chapter. Thus, large scale awareness programmes, entrepreneur **'*melawas*'** (meetups or fairs) at *Dalit Vasti*, *Panchayat*, and district levels should be held. The Corporation would also conduct **Entrepreneur Clinics** akin to those held by Dalit Indian Chamber of Commerce and Industry (DICCI).

For this, suitable private agencies, be engaged by fixing stringent qualifying criteria and by open and advertised competitive bids (request for proposals) to undertake these activities at each district and subdistrict level. This would be the first step of the life cycle approach of ED. These agencies should be designated as **Entrepreneurs Handholding Agencies (EHA).**

Overall, the goal of ED program should not just be to serve the entrepreneur or firm at the individual level to build their resourcefulness & competitiveness, but also to develop the SC business ecosystem in a manner that is sustainable, innovative, growth-oriented, and that creates lasting value for the beneficiary.

2.6 The Current System of Beneficiary Creation at MPBCDCL

At present the broad procedure of selection of beneficiaries under various schemes of the corporation is as under:

1. Mobilization camps / '*Rojgar Melawas*' are organized by MPBCDCL at district and Taluka level to create awareness of various schemes of the corporation.
2. Application forms and information brochures / leaflets are distributed amongst participants of the mobilization camps.
3. Offline / online applications from participants are collected at the district office of the MPBCDCL throughout the year.
4. Applications received at the district office are scrutinized as per the existing guidelines of various schemes.
5. Applications scrutinised as eligible are then submitted to the District Sanctioning Committee under the Chairmanship of the Additional Collector along with the necessary documents.

6. Proposals recommended by the District Sanctioning Committee are then forwarded to the Banks / Financial institutions in case of the Government of Maharashtra (GoM) schemes and to the Regional Manager (RM) / Managing Director (MD) of the MPBCDCL in case of Government of India (GoI) schemes, depending upon the financial limits of each authority (i.e., RM/MD).
7. Proposals sanctioned by the banks in case of GoM schemes are then processed for financial assistance i.e., for Margin Money and subsidy at the MPBCDCL level and subsequently the required funds are deposited to the respective banks in their parking accounts.
8. Finally, the banks, after beneficiary verification and upon securing the necessary documentation, release GoM scheme funds in the beneficiary's loan account.
9. In case of GOI-Schemes (NSFDC / NSKFDC) after sanction by the District Sanctioning Committee, the MPBCDCL submits the demand for funds through Letter of Intent (LOI) to the NSFDC / NSKFDC, at GoI-New Delhi.
10. After the receipt of funds from the NSFDC / NSKFDC, the MPBCDCL makes the funds available for disbursement at MPBCDCL Head Quarters (HQ) or at Regional Manager's office - MPBCDCL as per the requirements. The funds are disbursed to beneficiaries after verification and necessary documentation relating to the loan proposal.

2.7 Critical Observations of the Study Group on the Beneficiary Creation Process

1. The present system of beneficiary selection seems to be **unstructured, irregular, unsystematic and opaque.** Melawas are not scheduled and periodic but occasional/ ad hoc and sporadic. Besides, their reach is quite limited. There is no system to assess a good, potential, and serious entrepreneur/beneficiary. And melawas are not planned in locations with a higher probability of beneficiary outreach. There is no regard whatsoever to assess his/her skill set, past trainings in entrepreneurship development etc. when a potential beneficiary is contacted through a melawa.

2. The **criteria** for the selection of beneficiaries are **outdated** and are laced with various discrepancies. The criteria are limited to documentary verification regarding identity, income levels etc. alone and not the merit of the project proposal as such.

3. There is **no defined project appraisal method** or system involving financial experts before loan proposals are approved and sanctioned. i.e., limited to **documentary verification** regarding identity, income levels etc. here as well. It has come to the Study Group's notice that 100% of the loan proposals received are sanctioned for GoM schemes, which implies that MPBCDCL deems merit in each proposal without rigorously assessing it.

4. There is **no proper training and handholding support** for backward and forward linkages (production to marketing) to the beneficiaries.

5. There is no established loan recovery mechanism.

6. The selection process is manual which points to a huge lacuna of a digital or online process from the selection of the beneficiary till the successful completion of the project. The only time an online process may be seen is when the applications are received online. That too is not a standard or consistent process across all applications leaving much to be improved in the selection process from the word 'go'.

7. Officers and employees of MPBCDCL are not effectively trained to plan and implement various schemes and programs in the light of changing socio-economic conditions and emerging technologies.

2.8 Broad Recommendations of the Study Group for ED at MPBCDCL

Primary Eligibility Criteria for the selection of the beneficiary:

1. **Guiding Principles**

   i. As mentioned earlier, the beneficiary should be selected from the applicants who have **undergone the entrepreneurship training** from recognized institutions. Those beneficiaries/applicants/candidates who have not undergone requisite training should be directed to complete the required EDP training first. This will be set as the pre-qualification criterion for taking forth a loan proposal and considering a 'matured beneficiary'.

   ii. Only applicants who fulfil the pre-qualification criterion, stringent screening and specialized training would be considered as matured beneficiary for the project and eligible for MPBCDCL's handholding or direct service support in their upcoming businesses.

2. **How to create beneficiaries**

   i. First Stage

   a) MPBCDCL should organize Mobilization Camps through the Entrepreneurs Handholding Agencies (EHA) at the **three levels**: District, Taluka level and Dalit vasti levels to disseminate information about various activities, schemes and programs of the Corporation. MPBCDCL shall also co-ordinate with Panchayati Raj Institutions (PRI) to ensure maximum outreach of different schemes and urban local bodies.

   b) The Corporation should fix and announce a **calendar** of such activities at the beginning of the financial year.

c) Representatives of Banks / Financial Institutions (FIs) / PRIs and Urban Local Bodies (ULB) / Skill Development Departments, Industries Departments / KVIC[14]/ KVIB[15]/ Agriculture Departments etc. may be invited for guidance during the camps.

d) Written **information brochures/ handbills** about MPBCDCL schemes may be distributed during mobilization camps. Existing and successful entrepreneurs from the region may be invited for guidance and their success stories may be showcased during such camps. The aspiring entrepreneurs participating in the mobilization camp should be asked to undergo EDP training from recognized government institutes.

ii. Second Stage

a) In the second stage for ED after '*melawas'*, the MPBCDCL should develop the concept of **Entrepreneurship Clinic (Guidance cum facilitation centre**) to provide counselling, guidance and handholding to eligible beneficiaries. Organising these clinics should also be a part of work entrusted to the **EHAs.** Such clinics are being organized by DICCI at present. Even though the physical 'melawas' would be first line of activity in the process of beneficiary identification, ultimately each beneficiary is expected to apply and enter the ED process only in digital/ online manner. Thus, each beneficiary who would be **screened and assessed** and found suitable should be made to apply online.

b) We recommend that the corporation should engage the required number of expert **EHAs** for the process of beneficiary selection till the process or stage of clinics. There are many agencies engaged by GOI in various programmes at district level. Such agencies could be appointed through a competitive and transparent process. Besides, MPBCDCL should associate with the Skill Development Department, Industries Department, Agriculture

[14] KVIC – Khadi and Village Industries Commission (central level, Ministry of MSME, GoI)
[15] KVIB - Khadi and Village Industries Board (state level)

Department, and such others in the area of awareness and selection of beneficiaries, training and also handholding support for entrepreneurship development.

c) We understand that the Corporation has already initiated such procurement process in certain areas of functioning to develop their entrepreneurs. However, we recommend that such agencies be fixed at each district level. MPBCDCL should prepare the list of empanelled agencies, i.e., **EHA for three important functions, including organising melawas, organising clinics, and supporting applicants for the preparation of project proposals.** EHA shall guide in preparing preliminary project reports and also detailed project reports as the prospective beneficiary's proposal progresses in the system *(see 'Project Appraisal' chapter for more details on appraisal agencies (AAs))*.

d) MPBCDCL's effort to make processes online, transparent and efficient is absolutely essential. The Corporation should develop a **comprehensive multifunctional online portal** right from capturing and tracking the various stages of a project proposal to the ED journey of each applicant.

   This portal shall showcase various stages of the Project (loan) Proposal right from application to approval to post sanction handholding. Detailed information about various schemes should be made available on this portal which should include the eligibility criteria, funding pattern, list of training institutes etc. There should be inbuilt software to scrutinise the preliminary eligibility including EDP training in the portal. This should also serve as a tool for monitoring and also have linkages with banks and other agencies with whom the corporation has MOUs. This portal should be guided by the GoI's Stand-Up India portal. The portal should integrate workflow of beneficiaries to EHAs to AAs and further to banks and other agencies.

e) The GoM has established the '**Sangram Kendras '** at all village Panchayat levels in Maharashtra to facilitate implementation of various schemes. Sangram Kendras at village Panchayat level provides services on contract basis to people so that they can apply for various schemes and receive online certificate/ tax collection receipts and other services provided by the village Panchayat. This Sangram Kendra's scope may be increased and this facility may be used for submission of applications for ED so that beneficiaries from far flung geographical areas may also be motivated to apply. The necessary MOU may be signed between the MPBCDCL and Rural Development Department.

f) The Study Group recommends setting up of a **Program Management Unit (PMU)** to manage the above-mentioned portal. This PMU would be an integrated unit of **a technical/consulting agency appointed** to run all functions and maintain the portal. It would include, as team members, **officials** of the Corporation at each district, each division and at the HQ level. The PMU shall be responsible to run and maintain the portal to capture all applications received at district level, related borrower profiles, scrutiny stages etc. and also include monitoring of loan approval, disbursement and recovery. In addition to this expertise-based backend handling of all project proposals from application stage through to the end of the ED lifecycle, the PMU shall also design and maintain dashboard of key analytics for public viewing on the portal. This has several benefits including developing confidence of prospective borrowers in the ability of MPBCDCL to adequately support ED amongst SCs; transparency of data, independent & expert handling of applicant data; monitoring of the impact of ED by MPBCDCL, capacity building of MPBCDCL officials at various levels and so on.

2.9 Recommendations for Eligibility Criteria for Beneficiaries

1. Any individual above 18 years of age (for those from ITI or polytechnics routed via Skill Development Departments, the entry age can be 15 years).
2. The beneficiary shall belong to the SC or neo (nav) Buddha category, with validity certificate as documentary proof.
3. Beneficiary should be domiciled in Maharashtra,
4. There should not be any income ceiling. Priority may be given to applicants having income less than Rs.2.50 lakh per year in case of programs where scale of funding is up to Rs.10 lakhs and if the proposals are more than the targets. For rest of the applicants, no income criteria are to be considered. This recommendation is in consonance with the various schemes of Government of India including Stand-Up India and is intended to be more inclusive of the target population.
5. Educational qualifications may be prescribed only in cases of some professional sectors like doctors, engineers, architects etc. These professionals may require business training hence included here.
6. Expansion of existing business should also be considered depending upon the nature of business activity and employment potential.
7. If the applicant has already completed the prescribed EDP training, then he/she should submit the certificate of the training completed. Candidates who have not undergone the EDP training, should be recommended a training and be directed to complete the EDP training at various institutions of the GOI/ GOM/ MPBCDCL. The MPBCDCL shall identify various training institutes on the lines of PM-AJAY scheme of the GOI and various institutions from the GOM such as Maharashtra Skill Development Society (MSSDS), NABARD, YASHADA, VANAMATI, RAMETI, NIPHT, MITCON etc. It is recommended that the Corporation should pay for the ED training programmes. As far possible, private training institutions should be avoided for this purpose.

Considering the geographical situation of Maharashtra in various districts, the MPBCDCL should select the training Institutions preferably in the respective divisions/ districts. The EDP training charges shall be paid by the MPBCDCL to the respective training Institutions as per the cost norms of the GoI/GoM or approved by the competent authority from time to time.

The study group further recommends the following **process of application scrutiny**:

1. The application received on the MPBCDCL portal should be scrutinized for preliminary eligibility by EHA.
2. Once obtained in the portal **through EHA with project report**, the PMU should thoroughly scrutinise them from documents, eligibility criteria and other required details. the portal would forward these applications to the competent official of district/division/HQ depending on the project size and its competency. These MPBCDCL officials would then approve these applications by digital signature. Such signed proposals would be then automatically be forwarded to AAs at that level for project appraisal. Thus, there would be appraisal agencies (district and division and state levels - DAA/DVAA/SAA) which is further elaborated in the project appraisal chapter.
3. The role of the AAs (DAA/DVAA/SAA) would begin after the PMU has completed its role. Until the PMU interventions, the process is expected to be largely automated and technology driven, but with personalised handholding of EHA for project preparation. Contrary to that, once the applications are filtered to the next stage and digitally signed by the competent officer and forwarded to the relevant AA, the intervention would become more manual in nature as each proposal would be assessed in depth for its own unique features.
4. Next comes the constitution of the **Standing Committee of Experts (SCE)** at each district level, divisional level and also the state level. The committee should have expert members from various fields such as representative of Banks/ Financial Institutions (FIs) / renowned Institutions from various fields / Government Departments like Agriculture and Allied activities, Industries, Skill Development etc. This Committee shall be responsible to approve projects after AA assessments and recommendations before placing it before competent authority. i.e., **District Sanctioning Committee/ Divisional Sanctioning Committee and the State Sanctioning Committee.**

A differentiation between the various committees mentioned above:

1. The District Sanctioning Committee should be headed by the District Collector
2. The Divisional Sanctioning Committee should be headed by the Divisional Commissioner and
3. The State Sanctioning Committee should be headed by the MD (MPBCDCL).

At the district level, a collector's committee is already functional at present. Hence, we recommend one with a similar composition i.e., the state government should constitute divisional and the state sanctioning committees.

The competency to sanction projects at each level would be as follows:

- **District-level Collector Sanctioning Committee- project proposals up to Rs.10 Lakh**
- **Divisional Sanctioning Committee- project proposals up to Rs.25 Lakh**
- **State Sanctioning Committee - project proposals above Rs.25 Lakh**

On the other hand, the NBFC (described in the chapter of New Schemes) would evolve their own committee of experts and competency of sanctioning would be with a subcommittee of the Board but each proposal would be submitted to the Board for perusal. Such decision should be issued by the government.

After sanctioning of the proposal/ project, the MPBCDCL shall extend the **handholding support to beneficiaries for at least three years right** from the procurement of the raw material to the marketing of the final produce. This **role should be entrusted to the appraisal agencies (AAs) in addition to their role of project appraisal**.

2.10 Based on the above observations, the Study Group Recommends the following flow chart

1. Fixing and freezing of annual calendar of mobilization camps at district and Taluka level.
2. Conducting IEC (Information, Education and Communication) activities throughout the year to create awareness about various activities of the MPBCDCL.
3. Organizing mobilization camps or 'melawas' at district and Taluka level, as per predetermined and preannounced events' calendar at Dalit Vasti, Taluka and district levels with the help of EHAs.
4. Identification of potential beneficiaries.
5. Organizing Entrepreneur Clinics to identify serious beneficiaries from a group of potential beneficiaries with EHA support.
6. Identification of serious beneficiaries.
7. Online application on the MPBCDCL portal/ Sangram Kendras, and submission of Project Report helped by EHA.
8. Organizing EDP training programs with various networked organisations/institutions.
9. Screening and identification of the beneficiary and verification of requisite documents through the portal at district level by the PMU.
10. Online forwarding of the eligible scrutinised applications to the competent authorities of district/ division, state/NBFC, by the PMU.
11. Digital approval of the competent officer of districts, divisions and the state. There should be a PMU at the division and state level as well.
12. Forwarding to AAs at district, division and state by the competent officers of that level.
13. Appraisal by AAs.
14. Forwarding proposals back to the PMUs at the respective levels.
15. District and divisional managers and concerned HODs at state/NBFC to put up the appraisal proposals to the standing committee of experts.
16. Approved proposals then to be put up to the sanctioning committees at the respective district/ division/state level for the final sanction.

17. The proposal would then be forwarded for funding to banks / for self-funding.
18. Securing actual funding by banks/self-funded/NBFC.
19. Suggesting specialized training for beneficiaries at recognized/networked training institutes.
20. Sanctioned proposals to receive handholding support for procurement of machinery, raw material etc.
21. Handholding support extended towards installation and operationalization of the sanctioned project.
22. Handholding support extended towards branding, marketing of produce etc.
23. Handholding support extended towards loan repayment.
24. Conducting continuous monitoring of the project activities by MPBCDCL and bank officials.
25. Monitoring, evaluation, learning documentation (MELD) including data base management of the project by third-party agencies appointed by the MPBCDCL (for example: NABCONS or private consulting firms).

Chapter 3

Project Appraisal

3.1 Project Appraisal – Overview

A project appraisal is the process in which a lender or a banker appraises[16] the technical feasibility, economic viability and bankability of a project proposal submitted by a prospective borrower. The word “appraisal” is a synonym for evaluation, assessment, judgement and review (these shall be used interchangeably in this chapter). The project appraisal process thus includes the assessment of the creditworthiness of a potential borrower. The word “creditworthiness” takes stock of a loan borrower’s past and future ability and willingness to repay their debts in full and on time.

A thorough appraisal is a vital step to process a loan application or proposal as it helps a lender or a banker to ascertain the eligibility and the debt repayment ability of a borrower (to a great extent) for a loan or advance or project finance in the stipulated time.

Therefore, a critical assessment of the prospective borrower ensures the safety and liquidity of the money or funds being extended or lent by the lender or bank and also to ensure the profitability of the credit facility being provided.

A project appraisal is a sound and healthy step in the whole lending-borrowing process that safeguards the stakeholders in several ways. Some of the benefits of project appraisals include:

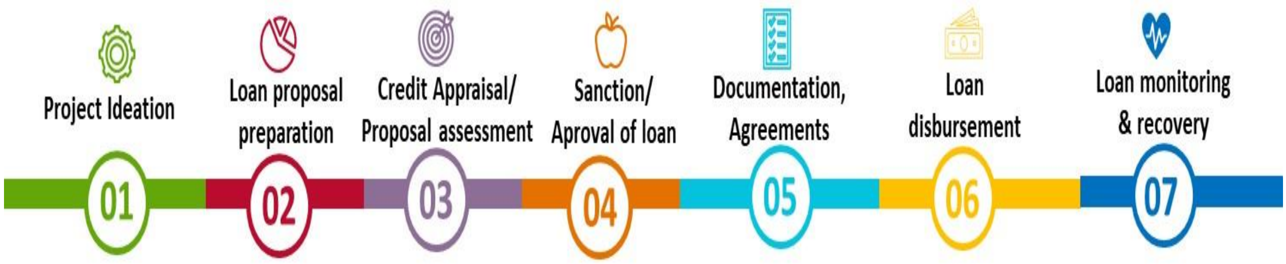
1. Reduction or mitigation in the risk or risks involved in the loans provided for a project
2. Increased confidence amongst lenders
3. Reduced possibility of non-performing assets (NPA)
4. Increased knowledge of the liquidity, profitability and solvency of the prospective borrower
5. Reduced possibility of financial loss

[16] To appraise simply means to judge the value or quality of something by carefully considering and providing an opinion.

6. Increased possibility of a correct credit decision including the quantum of credit to be extended to the borrower
7. Informed assessment of the viability of the project being proposed and
8. Increased possibility of more favourable credit terms for a prospective borrower.

For the function that it performs, project appraisal does not occur in isolation i.e., the need for project appraisal arises when there is a need for credit and there is need for credit when a prospective borrower falls short of it to fund a project that they have conceptualised or ideated as a new project or as a scale up of a current one (greenfield or brownfield). So, the need for project appraisal starts with the prospective borrower's project ideation. The primary purpose of project appraisal is to conclude that a loan is worth sanctioning to the project for which it was being appraised as it determines the merit of the project. Post appraisal, comes the sanctioning stage, thereafter documentation towards the approval, followed by the actual loan disbursement. The last and more long-term part (depending on loan tenure) is the stage of loan monitoring and loan recovery. This entire cycle is more or less standard across all project appraisal exercises regardless of what methods or techniques of appraisal are used. One stage is dependent on the other. This continuum of stages is depicted for ease of reference :

Figure 08: Project appraisal Continuum



Besides, over a period of time the methods of project appraisal have also evolved. By traditional methods, project appraisal was conducted internally by the lender / banker themselves. However, in modern times, a robust project appraisal is usually carried out by experts (such as Chartered Accountants who are adept with financial analysis, understanding business risks & models, and understand statutory norms and are familiar with due diligence etc.) or specialised institutions skilled or trained in appraisal activities. External or third-party appraisal is done in addition to internal appraisal to ensure a considered and balanced view between both internal and external appraisal and for fairness in the process and to arrive at merit-based conclusions about the loan application. The key feature of modern or external appraisals (regardless of the techniques they may use) is that the **appraisal agency is independent of the prospective borrower** and that external project appraisal by independent agencies provide an **unbiased insight** into the loan application, so are more robust than only internal appraisals.

Contemporary or modern appraisal methods also deploy a wider set of components to execute the appraisal process. For example: whereas conventional methods are concerned primarily with business income alone or a reliance on Income Tax Returns (ITRs), modern methods tend to evaluate strengths, weaknesses (to facilitate risk mitigation), other incomes (such as commissions, trade discounts, incentives etc. as they provide a buffer to assess borrower eligibility in addition to business income) and caveats in the loan proposal. Thus, modern methods base their analysis both on documentary evidence as well as borrower (management) discussions in so far as ensuring factual knowledge gathering and understanding outlooks on the business is concerned.

Regardless of whether a conventional or contemporary method of appraisal is used, the ideal outcome of a project appraisal is to measure the **inherent risk in the loan proposal and arrive at an evaluation of whether to reject or sanction the requested loan/fund.** Such an outcome is based on the data and information gathered about the loan proposal and about the prospective borrower through various types of assessments.

Given the above background, basically before approaching the Corporation, the borrower should have ideated the project. They should have also assessed their available resources, the gap in resources and based on the gap and requirements, would prepare a loan application to the Corporation (via a mechanism described later in this chapter). This process is important as it is the beneficiary's concept and their thinking that leads to a project proposal. Besides, the **Corporation is not a dole distribution agency** for any and every proposal that comes its way, neither should it be perceived that way. This makes the role of a sound appraisal even more significant and necessary.

Therefore, projects need to be well prepared before being submitted or presented for an appraisal to fund them. However, at present, neither are the project proposals well prepared nor is there a concept of project appraisal per se (on the lines of appraisals described above) in the functioning of the Corporation.

From our observations, various discussions with stakeholders including in the study group, with officials of MPBCDCL and with external experts, it is clear that **MPBCDCL's current project appraisal system is far from ideal and not technically sound.** The MPBCDCL's system of approving or rejecting loan proposals continues to be based on conventional methods of scrutiny of basic mandatory documents or at the most internal 'appraisals' (which are limited to document checks as well) . The Corporation's personnel, at any level of the organization structure, have **no particular expertise** or experience in this area, which leads to no or scanty assessment of loan proposals and inconclusive borrower eligibility. This in turn weighs heavily on loan recovery as there is no system of checks and balances while extending credit, no risk identification & mitigation mechanisms in place, and no reporting of accurate, complete and timely loan risk-related data. The robustness of loan approvals within the MPBCDCL system needs to be thoroughly looked into and perhaps calls for a restructuring of the current processes of the same. *(a more detailed explanation of MPBCDCL's current appraisal systems and their outcome are described later in this chapter*).

3.2 Types of Project Appraisal

Every banker and more widely, every lender, both in the public sector and the private sector, has their own pre-defined criteria that they aim to satisfy so as to declare a borrower as 'eligible' or qualify a borrower worthy to avail of funds. In addition to different criteria, their methodology and techniques to assess creditworthiness may also differ. The methodology may involve either manual analysis or automated analysis. Yet, even where banks or lenders use an automated process to handle loan applications, a final conclusion and decision on the credit approval has to be supported by a manual judgement of the loan application. An example of an automated tool is the Small Industries Development Bank of India's (SIDBI) software 'Project Appraisal and Rating Tool' (CART) that supports SIDBI to appraise loan proposals and also generates a rating for the proposal to enable SIDBI decide its pricing.

Project appraisals typically include, but are not limited to, an assessment of commercial, financial and technical viability of the proposed project. Appraisals also check for the primary and collateral security[17] cover available for loan recovery.

Some basic criteria or components typically assessed during project appraisal at banks could include (i) income of applicants and co-applicants (ii) additional sources of income (iii) education qualification (iv) age of applicant(s) (v) applicant's trade / service / professional experience (vi) past loan or advances' records including that of defaults, if any (vii) applicants' assets and their financing patterns (viii) applicants' business history (ix) applicant's family history, if applicable (x) applicant's taxation history (xi) applicant's recurring liabilities and (xii) applicant's other present and future liabilities / investments (if any) in addition to other relevant components for the bank's purview.

As seen above, several components can make up for project appraisals. The assessment of these (amongst other several components) are expressed in the form of financial statement analysis, financial ratios (Example: Fixed Obligation to Income Ratio (FOIR) etc.), credit ratings, working capital requirements, term loan analysis, NPA classification, recovery history of the borrower and the like. Besides, some of the processes involved help to evaluate the possibility of loan repayment from future cash flows of the project for which the loan is being taken out.

The appraisal components and the way they are expressed and interpreted are usually clubbed under specific categories or feasibility or assessment areas termed as market, management, technical, and financial (this may or may not include commercial and social or ESG (Environmental, Social and Governance) appraisal depending on the type of project, the lending institution's criteria and other parameters.

Technical, management, market and financial appraisals are depicted in a snapshot in the **Annexure 4** for ease of reference. The visual captures the four main categories of project appraisal, including market, management, financial and technical appraisals. These appraisals form the key pillars to a good holistic

[17] This primary and collateral security is sought from the borrower so as to inculcate accountability of the honoring the debt repayment. Not all types of loan facilities of all lending institutions may ask for such security however, the borrower may be held accountable in other ways by lenders.

project appraisal. Without any of these, there would be a certain incompleteness in assessing the proposed project.

These categories of appraisal types are further elaborated below.

1. **Market appraisal –** This type of appraisal involves market assessment to gauge the demand and supply gap for a proposed project. It is known that greater the supply-demand gap, greater are the chances or opportunities for the proposed project to grow. Market appraisal, also known as market demand assessment, includes situation analysis, SWOT (Strengths, Weakness, Opportunities, Threats) analysis and competition analysis through primary and / or secondary research. The results of this type of appraisal indicates the proposed project's potential demand, number of beneficiaries it may be able to call its 'market', understanding of population, its income brackets & standard of living etc., ethnicity (if it matters to product demand in any way), potential price points of the proposed project's services/goods, distribution mechanisms, and future market growth scenarios, amongst other factors. Market appraisal leads to an understanding of the marketability of the proposed project and thereby helps determine the future cash flow scenario (not the absolute number as such rather the possibility of making a mark in the market).

2. **Management appraisal –** This type of appraisal is also known as 'institutional' or 'organizational' appraisal. It involves gauging the management's or project promoter's competence, knowledge, vision, integrity, commitment, and intention towards the success of the proposed project. The 'management' could be one individual or a set of individuals representing the senior leadership of the organization proposing the project and operate in a decision-making capacity. It determines whether the implementing agency or the management of the business (which is proposing the new project for which loan is being sought) is capable of effective set-up/launch, implementation/execution, monitoring & evaluation of the project and is capable to grow with entrepreneurial abilities or not. This appraisal also helps gauge the management's ability to handle market competition, their diversification and growth plans (scale up), their succession planning, contingency planning, their risk-taking ability etc.

Much of this kind of assessment is discussion based or based on back ground checks or done through a study of past records through documentation verification.

Since this type of appraisal is mainly a person-based appraisal, the appraiser could ensure that the following steps are undertaken while interacting with the management/promoter:

a. Take the management/promoter into confidence and make them comfortable about the interaction.
b. Analyse the management/promoter and their business operations in detail.
c. Hold an informed discussion about their business / entrepreneurial activity and market conditions.
d. Understand the business' process and systems flow.
e. Verify corresponding documentary evidence in order to substantiate any claims from the management/ promoter.
f. Assess the level of business / entrepreneurial activity.
g. Question anything unusual being conveyed by the management/promoter or bring up anything amiss and not leave any doubts of unresolved queries.
h. Discuss both business and other income sources with the management/promoter and understand each separately.
i. Analyse the strengths and weaknesses of the management/promoter's proposal based on information gathered in the above steps.[18]

Overall, this appraisal indicates the management's ability to effectively implement and operate the entire proposed project. While mainly the ability of repaying debt may be indicated by other appraisal areas however, the willingness to repay debt is gauged through management appraisal.

[18] Source: 'Project appraisal An Overview', DVS Research Foundation, 15 January 2020. Cited in https://www.slideshare.net/DVSResearchFoundatio/credit-appraisal-an-overview

It may be noted that before any type of appraisal is undertaken, the proposed project's objective should be clearly stated and understood by the appraising team. The appraising team should also clearly state the methodology used in its appraisal notes.

3. **Financial appraisal**: This appraisal determines whether the project's financial costs and returns are properly estimated and whether the project is financially viable. It involves gauging the correctness, accurateness, and completeness of the costs & expenses of the proposed project and of its projected revenues. The reasonability of scenarios and assumptions (such as other sources of finance, project timelines, taxation scenarios, depreciation, inflation rates) are also assessed. This appraisal is mainly document-based. The analysis takes place by studying income tax returns, taxation records, profit & loss (P&L) accounts, balance sheet with schedules, cash flow statements (where companies put up the proposed project's loan application) and audit reports. For example: historical data (say, of 5 to 10 years) of incomes and expenditures of the loan applicant's company including total revenue, total expenditure, operating profit (or loss) and operating ratio are crucial start points for historical analysis.

   Further, based on project related financial modelling & feasibility assessment in Microsoft Excel sheets, key ratios can be worked out to assess the financial ratios. Financial modelling allows for developing various scenarios and various assumptions that help project future cash flows and estimated project returns. Results of seven to eight key financial ratios that may be assessed during financial appraisal include debt to equity ratio, quick ratio, working capital ratio, earnings per share (if applicable), price to earnings ratio, return on equity ratio and profit margins. Project feasibility, financial viability and bankability is mainly determined by the debt service coverage ratio (DSCR) which indicates the debt servicing capacity of the promoter's firm, the net present value (NPV) and the IRR (Internal Rate of Return).

4. **Technical appraisal** – This type of appraisal involves gauging the existing technology and processes versus the proposed project's technical parameters such as scale of operations (plant

size etc.), technology & process planned to be adopted for the service/product manufacturing, raw materials considered, technical knowhow & design applied, product mix proposed, selection & procurement of plant & machinery for production, project location, land availability & suitability, project scheduling & implementation, plan layout, vicinity of the selling market, capacity utilization, proposed implementation plan, collaboration agreements, regional factors such as availability of labour, transport & infrastructure etc. This type of appraisal and the parameters included shall differ from industry to industry. A technical appraisal ascertains the prerequisites for successful launch of the proposed project and indicates how, if at all, it brings value to the market over any existing and competing products or services.

In addition to the above four types of appraisals, other types that may be considered include commercial, economic or socio-economic appraisals:

5. **Socio-Economic appraisal:** This type of appraisal determines how far the proposed project contributes to or impacts the development of the sector/industry, the local economy, social development, maximizing the growth of employment etc. This type of appraisal should be able to answer questions such as does it improve the living standards of the community or increases job opportunities? Does it lead to increased industrialisation of the area? etc. To conduct this appraisal various components of the community being served may need to be studied. For example: present tariff scenario versus willingness-to-pay survey, affordability to pay, attitude of users/customers towards the project etc. These and other factors are considered while evaluating the socio-economic feasibility of the proposed project, especially where communities may get significantly impacted by proposed projects (example: chemical, plastic, infrastructure development, oil & gas, etc.). They may mostly be applied to large public sector projects and may not necessarily apply for appraisal to private goods and services. Similarly, environmental appraisal (part of ESG, as mentioned earlier), may need to be applied to certain types of projects where there is a potential for negative environmental impact (such as pollution, erosion, loss of grazing land, impact on vegetation, depletion of natural resources etc.)

All in all, the five key points that may be taken in to consideration during an appraisal exercise are given as per visual in **Annexure 4**. In the annexure, the greater the priority of a lender's claim, and market value of the underlying collateral; the lower the exposure risk of the loan.[19]

Thus, project appraisal involves a careful checking of the basic data, assumptions and methodology used in project preparation, an in-depth review of the applicant's work plan, cost estimates and proposed financing, an assessment of the project's organizational & management aspects, its market uptake, preparedness and finally the viability of the proposed project to enable decision-making regarding extending credit to the prospective borrower.

3.3 MPBCDCL's appraisal role

As mentioned earlier, the MPBCDCL was set up by the Government of Maharashtra (GoM). As per their mandate in the Corporation's Act, its long-term vision is to support the upliftment and welfare of backward classes.

The Corporation is expected to support micro, small, and medium businesses in both services and trades amongst specific target groups. This role should help curb the marginalization of such groups and to facilitate their recognition and mainstreaming in the larger economic growth and development of the state and of the country. However, as assessed by the Study Group, it is seen that the Corporation has been playing an insignificant role in this context and has reduced itself to disbursing funds to rather small ticket projects, largely in thousands of rupees and just a handful in Rs. lakhs worth of project size and mostly less than Rs.10 Lakh. Besides, even the number of projects supported are rather small. Hence, by both volume and value, the Corporation's projects are not significant to write home about.

The Study Group's observation is that, at present, the Corporation is unable to make its presence felt or cause any significant positive impact on its intended beneficiaries.

[19] Source: 'Project appraisal An Overview', DVS Research Foundation, 15 January 2020. Cited in https://www.slideshare.net/DVSResearchFoundatio/credit-appraisal-an-overview

Thus, in-house or third-party expertise-oriented appraisal and also the concept of post appraisal activities is crucial to be incorporated in the functioning of MPBCDC.

3.4 MPBCDCL Project Appraisal process, Challenges and Impact

In financial assistance particularly, MPBCDCL supports target groups by extending concessional loans and other forms of financial support such as subsidy, seed capital or margin money, through various schemes – its own (i.e., the State-sponsored schemes) and the Centre's schemes, i.e., Schemes of the National Schedule Caste and Finance Development Corporation (NSFDC) and the National Safai Karmachari and Finance Development Corporation (NSKFDC).

Such financial assistance supports income generating activities of the target beneficiaries such as medium, small or micro businesses. Much of the financial assistance is funded out of the Corporation's share capital. The state government has provision for State Component Plan (SCP). The state government's SCP has a substantial availability in case of SC groups, however, MPBCDCL has not been seeking SCP from the state. Had the Corporation accessed SCP, they would have been able to fund much larger projects perhaps even to the tune of Rs.5 crores (for clusters).

Besides the **above logistical challenge**, the other emerging challenges of the appraisal process at the Corporation are as below:

1. **Funding application versus physical target ratio is not defined** so funding exercises through the year do not have a guidepost to follow.

2. **Scrutiny is beneficiary-based not project-based - i.e., based on verification of documents** alone and not on the evaluation and merits of the project for which the credit is sought. This is better appreciated from the process flow diagrams below.

Here we comment on the **two main stages of a project appraisal as observed within MPBCDCL**. It is important to note is that **regardless of the type of schemes or the size of the loan proposal, the 'appraisal' process remains the same and necessarily has to be carried out.**

1. Beneficiary (prospective borrower) prepares the physical / hard copy proposal in their own way and it is understood that they prepare it from scratch, perhaps without any handholding or without any support from a deployed agency to prepare the application. Besides, there is no standard application format or template.

2. Beneficiary submits the proposal at MPBCDCL HQ (Mumbai) - MPBCDCL **checks compliance on documents only and not the viability of the project.** As mentioned, there is no standard format of the loan proposal.

3. **Proposal scrutiny is not clearly defined** nor is there is a defined project appraisal system. **Proposal scrutiny and appraisal process are therefore understood as synonyms** in the MPBCDCL system, at present. Even within the scrutiny process, no substantive expertise-based project scrutiny mechanism exists in-house. If at all, it is only procedural scrutiny (as a checklist of documents/certificates) rather than an assessment or evaluation of the loan proposal hence the process appears to be largely administrative in nature. Besides, no physical verification of the proposed project is conducted or meeting or interview with the prospective borrower is held in the scrutiny process. Hence, there is no way to establish whether the **funds eventually approved and extended would be utilized by the borrower** for the purpose that they were sanctioned. This makes it all the more challenging to safeguard loan recovery at MPBCDCL.

The **present process flow of 'appraisal'** at MPBCDCL is as follows:

Figure 09: Process Flow of Appraisal at MPBCDCL

Awareness program of MPBCDCL schemes

↓

Receipt of applications from beneficiaries through District Office (manual)

↓

Verification of documents as per MPBCDCL guidelines

↓

Conduct project site physical verification by DM

↓

Scrutiny of loan proposals at DM level

↓

Submission of loan proposal after document scrutiny to District Beneficiary Selection Committee Chaired by District Collector

↓

Approval of eligible beneficiaries by the Committee

↓

Recommendation by Committee for loan approval to a nationalized bank

OR

Committee recommends proposal to MPBCDCL Head Office for approval

↓

Banks undertake the project appraisal

↓

The bank demands grant from MPBCDCL

↓

MPBCDCL releases grant amount to bank for concerned beneficiary

↓

Banks collect the required documents from beneficiaries

↓

After filling the required documents by bank, the loan proposal is submitted to RM through concerned district office for approval

↓

After RM approval, seed capital (loan) and grant are drawn and sent to bank through the concerned district office.

↓

The bank disburses the amount to the approved beneficiaries

While above is a flow, as mentioned above, it appears to the Study Group that the process flow largely **limits itself to verification of documents and does not go into 'appraisals'** (as has been observed in the initial part of this chapter as well) as such. Besides, the cap for loan/credit at MPBCDCL is Rs.5 lakhs hence there is no experience or expertise or mechanism to appraise proposals of higher value.

In addition to the technical difficulties of not having a defined loan appraisal mechanism, system or process, MPBCDCL is saddled with the **challenge of ill-equipped human resources** for this crucial function of its mandate. MPBCDCL's organization structure does not currently have a provision for employing project or loan appraisal staff as a specialised function. Even if the organization structure does not have a specialised appraisal function, the personnel handling the loan applications are not adequately trained to 'appraise'.

As a result of above four challenges, all loan proposals that are presented to MPBCDCL are 100% approved for their own schemes and the bank-related ones are further sent over for bank appraisals. As 100% of the proposals are approved after scrutiny and loans are sanctioned by MPBCDCL, it effects the quality of the loan recovery.

Besides, banks would follow their own standard and defined appraisal methods and it is observed that even if 100% of the beneficiaries' proposals are approved by MPBCDCL, at the bank level, there is a high rate of rejection. To ascertain this, the Study Group referred to the MPBCDCL's Monthly Progress Reports (MPR) of targets versus disbursement of Special Central Assistance (SCA) including subsidy, Margin Money (MM) and bank loan of three years and data as at March 2020, March 2021 and March 2022.[20] It was observed that over these years, between 60% and 85% of targeted beneficiaries were not recipient of disbursed loans. The MPRs reflect that much of the proposal rejection happens at the banks' end.

Thus, effectively there is no value to approving 100% of the proposals at MPBCDCL. This only causes waste of resources (manpower, time, money etc.) at MPBCDCL and there is no semblance of any appraisal (it is more a scrutiny than an 'appraisal' as such) at MPBCDCL before the proposals are forwarded to banks.

[20] Source: The MPRs were shared by MPBCDCL's senior official, Mr. Gedam, Executive Director, MPBCDCL, as excel sheets for the Study Group's reference.

Effectively, therefore, MPBCDCL's role is no more than that of a **document checker/verifier and a messenger between the loan applicant and banks.** This goes on as a vicious cycle year on year thus affecting the operating profit of the Corporation. Thus, **stringent process flow definition for project appraisal, orientation to appraise and quality assurance emerge as the biggest needs from this situation.**

Besides, the impact of the current situation is not limited to day-to-day waste of resources and of zero value to the beneficiary. MPBCDCL's income generation also gets negatively impacted due to low recovery. Also, entrepreneurship development gets left behind. Therefore, the overall mandate of the Corporation is not met, for which it was established in the first place.

In summary and conclusion of the above analysis, the current weakness and ineffectiveness of loan appraisals at MPBCDCL are the result of the following challenges:

1. **Undefined appraisal mechanism** (including no process differentiation for varied project sizes) and lack of robustness in current processes.
2. Lack of **technical expertise** and ill-equipped human resources for appraisals.

3.5 Recommendations for Project Appraisal Process

As mentioned above, much of the financial assistance is funded out of the Corporation's share capital. And given the challenges described above, the Corporation is dealing with poorly prepared projects and consequently, tardy loan recoveries. This situation has occurred mainly due to a weak link in the cycle of loan application to loan recovery. As established in previous pages, the **weak link is of poor appraisals**.

This also points to the fundamental requirement that MPBCDCL, in keeping with its welfare mandate, is expected to assist the prospective borrower (budding entrepreneur) at the root level of proposal-making and project plan preparation and not limit its role to being a 'funding corporation alone'. *(More on related* *handholding aspects is covered in the Entrepreneurship Development Chapter earlier*). To begin with, this support starts with robust appraisals.

Hence, it is proposed that revisiting the appraisal system would form a critical part of the revamping effort for MPBCDCL. In this context, the Study Group's recommendations below align with the challenges mentioned above.

The Study Group's recommendations towards the first challenge are described below.

1. **Increase awareness amongst project beneficiaries about methods of applications & appraisals (online offline etc.) to enable them prepare loan applications for best outcomes and define 'borrower'.**
2. **Defined appraisal mechanism including process differentiation for varied project sizes and increase robustness in current processes.**

This recommendation involves creating and consistently utilising a **standard project appraisal system** for all proposals, with incremental change of norms based on project size and whether the loan proposals are for bank-linked schemes or non-bank-linked schemes.

We propose that the ecosystem be strengthened such that it facilitates the functioning of the prospective borrower in the project preparation phase (whether greenfield or brownfield) and move smoothly towards project appraisal stage. We take a leaf from **long-established and loan-experienced funding institutions such as NABARD and SIDBI**[21]. The Study Group has met with officials of both NABARD and SIDBI as part of its mandate. In interactions, it was understood that these large lending institutions have defined project appraisal norms and formats for different types of proposals. For example: At SIDBI, The Multifunctional Appraisal and Rating Tool (SMART) is used to appraise MSME proposals for term loan and working capital assistance and deliver credit using their digital platforms. Further, the Stand-up India[22] Scheme's features and design have immensely supported the Study Group's mandate. We believe that we

[21] A good reference point of a comprehensive project appraisal is that of SIDBI – the Small Industries Development Bank of India – i.e., the **MSE Bankability Toolkit** for further learnings on the project appraisal process.

[22] https://www.standupmitra.in/Home/SUISchemes

need not reinvent the wheel rather we recommend that the Corporation could customize the existing appraisal systems and schemes in a way that makes it feasible and relevant for MPBCDCL to apply and be effective.

We studied different schemes and found there are agencies which specialize in project appraisal. Thus, akin to these tried and tested formats, this Study Group proposes **Appraisal Agencies (AA)** as a significant addition to the MPBCDCL's redefined appraisal mechanism. **These agencies would at District level (DAA); Divisional Level (DVAA) and State level (SAA) and explained below.**

District Appraisal Agency (DAA)

From our study and learnings of these, the Study Group proposes that an entity called The **District Appraisal Agency (DAA)** be established.

The DAA is akin to the District Resource Person (DRP) role in the 'Pradhan Mantri Formalisation of Micro Enterprises' (PMFME) scheme. The DAA would be **a bridging entity between MPBCDCL and the prospective borrower** to support in preparing the project proposal taking into consideration sound project appraisal principals. DAA would also be the bridge to defend an appraised note to a lender/bank.

Figure 10: District Appraisal Agency (DAA) relationship with borrower and lender

It is shown in the figure above that the DAA would be a bridge between the prospective borrower and MPBCDCL and the lender/bank. The second part of the relationship would be determined by the size of the proposed project. Their role would start once EHA has assisted the entrepreneur-beneficiary in preparing project proposals.

Purpose of a DAA: A DAA shall be **responsible to provide support in two main ways**

1. Appraising project proposals received i.e., (uploaded on portal) from prospective borrowers with due processing by EHAs.
2. Handholding the borrower in their entrepreneurial journey.

Main benefit of a DAA: Engaging a DAA would over robust Project appraisals based on its expertise. A DAA would support in the project. It is envisaged that the appointment of DAA compensates for the lack of in-house appraisal at MPBCDCL.

Appointment[23] of a DAA: DAAs would be agencies procured through the following due process by the MPBCDCL. The MPBCDCL would invite applications for engagement from agencies with the following indicative criteria (*the criteria below may evolve and refine as per MPBCDL's requirement)*. The corporation should fix requisite criteria for the selection of AAs as DAA, DVAA and SAA, which would be more stringent at the higher levels considering that DVAAs and SAA would be apprising projects of higher denominations.

Remuneration to DAA:

This may be outcome-based at following stages of the project cycle including:

1. At the stage of appraising projects.
2. At the stage of sanctioning and disbursement of loan/subsidy/margin money.
3. At the stage of setting up or scaling up or restarting of the beneficiary's enterprise.
4. At the stage when the beneficiary to whom the funds have been disbursed, begins repayment of the loan.

[23] Source: PM FME – Engagement of District Resource Person / District Level Trainers Vacancies

Role of an AA (either DAA or DVAA or SAA):

1. The AA is meant to scrutinize project report as per standard protocol and guidelines issued by the corporation from time to time based on the above discussed principles and stages and scope of project appraisal.
2. The AA shall appraise the loan application based on a predefined format and be clear about and communicate to the MPBCDCL as well as to the prospective borrower about which types of appraisals or assessments may be necessary for the loan application being presented (technical, financial, management, market appraisals or any other). At this step, either the AA fills out the appraisal format or writes an appraisal note. This is then submitted on paper and presented (defended) before the selection committees at various levels pre-decided per project sizes. At the selection committee meeting, the AA and the borrower/ entrepreneur will make a joint presentation.
3. This step may form the most critical aspect of the AA's obligation towards the appraisal process because on the one hand they would be acting as a 'guidepost' for the potential borrower to enable them prepare their projects better and on the other hand (by appraising) they would be instrumental in bringing better prepared and assessed projects to the Corporation and thereby to the banks.
4. The AA would ensure that he/she as well as beneficiary is well versed with the information/financials entered in the application, additional information sought/points raised by the banks.
5. The AA would monitor progress of loan applications on the Corporation's portal and on the in-built Management Information Systems (MIS) including tracking the 'strike' rate of how many and which appraised proposals achieved funding support. This achievement shall be one of their success factors or Key Result Areas (KRA) to receive the outcome- or incentive-based payments/remuneration.
6. The AA would serve as a single /sole contact point (SPOC) between the potential borrower and the Corporation and eventually with banks, for easing bottlenecks in the loan proposal's journey to fruition.
7. The AA would sensitize bankers to potential borrowers' profiles and vice versa.

8. The AA would follow up with concerned regional/zonal office of the respective bank to ensure timely processing/ sanction of loan.

The role above would be replicated across the three (03) proposed levels of AA based on project costs/ project size being proposed by the prospective borrower.

Chapter 4

MPBCDCL's New Approach to Schemes

4.1 Background and Situation Analysis

The Mahatma Phule Backward Class Development Corporation Limited (MPBCDCL) was established as an unlisted State Government **Company** with an authorized share capital and paid- up capital of Rs. 500 crores, each in 1978. The MPBCDCL (or Corporation) was established with clear objects in its Memorandum of Association (MOA).

The MOA clause A (1) states that its objects include:

"to plan, **promote**, **aid**, counsel, assist, **finance**, protect and undertake on its own or in collaboration with Government, statutory bodies, companies, firms, individuals, or through such organizations or agencies, programs of agricultural development, marketing, processing, supply & storage of agricultural produce, small scale industries, building construction, transport and such other business, profession (such as medical, engineering, architecture etc.) trade or activity for the benefit and welfare of Backward Classes".

Simply by this clause and for the type of entity it is (a Company), the MPBCDCL is obliged to operate as an implementer, advisor, facilitator, and **financier** of the listed activities for the betterment and upliftment of the Backward Classes including scheduled castes and neo-Buddhists in the state of Maharashtra. In addition to the scope of being an implementer, facilitator, advisor and financier, the MOA describes a wide-ranging set of industries, domains, trades, businesses, manufacturing activities and services in which the Corporation has been empowered to support the target beneficiaries via these roles.

Clearly then, as a development corporation, **financing on its own** is one of its key objectives and very much a significant part of MPBCDCL's scope and objective.

Besides, the next MOA clause A (2) states another object of the Company as:

“To provide **capital, credit means, resources**, and technical and managerial assistance for the prosecution of the work, business, profession, trade or activity, to enable Backward Classes to develop, improve economic conditions/methods and techniques of production, manufacture, management and marketing.”

The MOA’s clause A (2), as above, further also establishes the Corporation’s role as a provider of capital and a facilitator of credit means for small businesses, small enterprises, or small-scale units amongst the Backward Classes.

It is pertinent to note that that the clause also lends ample room to MPBCDCL to explore innovations by inclusions such as “improve”, “develop”, “techniques” across the lifecycle of beneficiaries’ projects. This clause emphasizes the importance of the Corporation to keep pace with the changing times in terms of innovations and adoption of modern methods that meet the end objective of benefit and welfare of Backward Classes. Thus, the clause formulated way back in 1978 had demonstrated long term vision and various possibilities for the Corporation and its beneficiaries.

However, the on-ground reality with the MPBCDCL’s functioning, as observed by the Study Group, is far from what the clauses prescribed. As such, the MPBCDCL is envisaged to run as **a market-driven professional entity but has never really done so.** Further, **financing projects** was envisaged as the key function of the Corporation.

The gap between the clauses and the on-ground reality strengthens two beliefs and observations of this Study Group. These two beliefs and observations are as follows:

1. That there is no better time than now for the MPBCDCL, in its current unsustainable state, to take note of its shortcomings and act upon them as has been addressed in the chapters on ‘Project Appraisal’, ‘Entrepreneurship Development’ and ‘Management and Finance’ elsewhere in this report, before it becomes meaningless for MPBCDCL to exist as a Company, any longer.
2. That the MPBCDCL must look beyond its internal shortcomings alone and take cognisance of the increased thrust of the state’s & country’s policies & scheme provisions for the backward classes. The Corporation should make an effort to align the policies and provisions available outside (both at state and national level) to align with the needs of the backward classes such that the clause provisions to

"improve", "assist", "aid", "promote", "counsel", "protect", "undertake" and "develop" are implemented to make the MPBCDCL's role more relevant in the present times on the foundation of its MOA.

Against this context, the study group notes that the current functioning of the Corporation does not justify the provisions made for it in the MoA and certainly does not reflect significant benefit and welfare to the target population.

As is known, any enterprise (service-oriented or manufacturing), business or trade requires finances to set up or scale up. Finance, funding or credit (used as synonyms) is usually made available by banks or other entities who provide finance, such as non-bank financial companies (NBFC). As mentioned earlier in this chapter, it is pertinent to note that the **thrust of this corporation at the time of establishment was in fact to provide capital and function like an NBFC.** However, considering its functioning over the last almost 45 years and more significantly over the last decade or so, it is observed that the Corporation on its own accord has reduced its role to largely acting as an intermediary between banks and beneficiaries and less as a credit provider. This is proven by the explanation and data summarised below.

As seen in the first chapter as per the available data, MPBCDCL's role as a provider of capital assistance or credit facilities is now insignificant as well, over the past few years.

The financial assistance provided to or credit extended to beneficiaries over 44 years from 1978 to 2022 i.e., total financial assistance from MPBCDCL to its beneficiaries was Rs.986 crores**.** However, the bulk of this amount was linked to the Bank and NSKFDC[24] and NSCFDC[25] linked projects, which included subsidies, seed capital and term loans**.** Of the Rs.986 crores, the MPBCDCL has extended term loans to the tune of Rs.174.66 crores - all of which i.e., 100% is linked to bankable (bank-linked)[26] schemes. The larger chunk of the total financial assistance of Rs.986 crores i.e., Rs.366.60 crores and Rs.444 crores are linked to loans of the NSKFDC.

24 NSKFDC: National Safai Karmachari and Finance Development Corporation
25 NSCFDC: National Schedule Caste and Finance Development Corporation
26 Here 'bankable' refers to schemes that are linked to banks' disbursement (here the word 'bankable' does not refer to feasibility or viability or certainty of profit or success as is usually understood from use of the word 'bankable').

As against these types of financial assistance, in their entire existence, the MPBCDCL has provided finance through direct finance schemes only in 2019-2020. Under this scheme, Rs.20 crores were disbursed to nearly 2,000 beneficiaries from the Corporation's own kitty. As mentioned earlier, the MOA had envisaged direct finance as the thrust area for the Corporation, however, data reveals otherwise. It is observed that the direct finance role has been side-lined.

Thus, the Study Group could understand that the Corporation **never performed** a role as the sole or main financer of projects and also did not perform the responsibilities built in, prior to or parallel to or post financing including assessing, mentoring, and monitoring of projects.

Instead, the Corporation began implementing schemes linked to banks, did so repeatedly over the years and continues to do so. Hence, in the previous pages, the Study Group has stated that the MPBCDCL's role is reduced to being an 'intermediary' between beneficiaries and the banks, thus being a rather small and an inconsequential role to the backward class ecosystem. While being a channel of providing loans and linking banks and beneficiaries has not been entirely insignificant, the process by which this has been done has not reaped sustainable benefit either to beneficiaries or to the Corporation. By this, the study group points to poorly financed/prepared and poorly appraised projects (refer to 'Project Appraisal' earlier chapter for details). Besides, most of the project proposals received at banks via MPBCDCL are rejected (nearly **80%** of them, as reported by the Corporation) and many a beneficiary is left unfinanced. Therefore, the MPBCDCL has not truly served as a 'financial intermediary' either, but rather only been an administrative bridge or connector between beneficiaries and banks.

This means to say that if the Corporation were to be taken out from the equation, then both beneficiaries and banks may quite likely be able to connect directly on the back of scheme awareness raised by the banks and on the back of the robust appraisal processes that banks usually have. Thus, it is quite likely that the MPBCDCL's contribution amongst the three parties is not quite valuable at present and that their absence would not be a game changer at all. This should be an **eye opener** to the MPBCDCL.

Given this context and in conclusion, the current <u>meagre role</u> is clearly contrary to the way its <u>meatier role</u> is described in the MoA. The MoA wordings "**finance", "provide capital", "grant loans", "working**

capital", "financial assistance" falls into the domain of what is now a matured system of NBFCs in the country.

In the study group's opinion, the original role of the MPBCDCL was akin to being established as an NBFC. In India, the role of NBFCs has evolved over a period of time and now has matured. NBFCs play a significant role in financing entrepreneurs and enterprises. The Study Group has also reviewed the performance of bankable schemes. As highlighted earlier, only 20% of the loan proposals received via MPBCDCL at the banks are approved.

Further, as discussed with the officials of the corporation, the scale (size) of the projects presented itself is quite low i.e., the average scale of benefit is Rs.1.5 to 2 lakh. This helps the Study Group infer that return to beneficiaries from such low-cost projects do not have the potential to make any palpable difference in their businesses/livelihoods or to the quality of their life.

Thus, the **Corporation must reconfigure its present role and begin to perform its defined original role as an NBFC**. By reconfiguring its role, the MPBCDCL will be paying much more attention to providing capital and credit assistance to its beneficiaries by itself (direct finance) rather than completely relying on banks, as has been the situation so far.

With this background, the Study Group has arrived at an understanding that mere tweaks in the current three ways of financing i.e., (i) direct finance (ii) schemes routed for bank finance and (iii) financing with NSKFDC and NSCFDC funds is not enough to produce the desired outcome. **The desired outcome is to regain the relevancy of MPBCDCL's existence by empowering it to function like a market-driven professional financing company across all its defined roles** and streamline & monitor its profits & losses while benefiting the backward classes for whom it was primarily established.

To achieve this outcome, a sweeping change is required. This sweeping change falls under the larger umbrella of the Study Group's broad recommendation i.e., **restructure all its methods of financing and supporting businesses of its beneficiaries**. This broad recommendation is further broken down in three parts or functional verticals as per sub-section below.

4.2 Recommendations: Three New Functional Verticals

The Study Group observes that all existing schemes are outdated, poorly executed and not particularly yielding any returns or rewards, and thus **the corporation need not continue with these existing schemes.**

Thus, after due deliberation, the study group has envisaged that three new functional verticals would empower MPBCDCL to operate like a market-driven professional financing entity.

These proposed three verticals are as follows:

1. **Vertical for Redefined/New Schemes**

This would include <u>redefining bankable schemes and direct finance schemes</u>. The principle adopted here is not to 'reinvent the wheel' but adopt/adapt existing schemes particularly of **Government of India** (GOI) and MPBCDCL's subsidiaries. This vertical would enhance scope and finances and streamline processes therein.

2. **Vertical for Government of India schemes**

The principle adopted here is to leverage, facilitate or converge all available and relevant GoI schemes so that maximum benefit of various GoI schemes is received by the **beneficiaries of the state of Maharashtra**. This itself would cover huge number of beneficiaries with substantive financing.

3. **Vertical as an NBFC**

Reflecting big ticket and new age or innovative schemes – in this vertical, the MPBCDCL would closely align with the roles described in clauses A(1) and A(2) of the MOA to operate as a non-bank financial company (NBFC). The NBFC will be a wholly owned subsidiary of the MPBCDCL.

While the verticals 1 and 2 above are also about aligning with the MOA and the current times, the difference between vertical 3 and the previous two is that this i.e., 3 would a completely new role in a **fresh *avatar* of an expertise driven NBFC organization** of MPBCDCL and shall be more proactive to Government schemes rather than reactive.

The <u>three above verticals summarise the 100% new operational look of the Corporation.</u>

The three verticals at the state level would guide the functioning of the divisional and the district offices accordingly.

Besides, questions such as "What will happen to MPBCDCL's current streams of work?", "Will all current functions continue as is?", "Do the three verticals replace the Corporation's current functioning or are additional to it?" and "How will the national schemes such as NSCFDC and NSKFDC be treated, going forward?" are intended to be addressed in the rest of this chapter.

4.2.1 Vertical 1 – MPBCDCL's New / Redefined Schemes

As established earlier, the MPBCDCL has not served the very purpose for which it was established. Besides, the schemes that it has been implementing for its beneficiaries thus far are largely redundant. The schemes do not match modern small business requirements, are inefficient on recovery and do not yield much return or reward either to the state of Maharashtra's beneficiaries or to the Corporation itself.

On the other hand, the Government of India (GoI) has progressed in scheme introduction, redefinition and implementation, substantially over a period of time. This is a **lesson for MPBCDCL** to realign its schemes to catch up with the times and to the needs of scheduled castes beneficiaries.

Thus, given the current shortcomings, the near negligible presence of MPBCDCL's own schemes, the new schemes ought to be designed on two principles as below:

a) **Adapt and Adopt** - In present times, MPBCDCL's poor appraisal methods do not filter well assessed project proposals for banks to consider for sanctioning and approval. Since the current approach does not mostly meet the bank's requirements, over 80% of project proposals forwarded by the MPBCDCL to banks, meet with rejections. This makes the role of banks tedious; banks do not receive much value from the Corporation's role and ultimately the bank is unable to serve a truly deserving beneficiary.

It is observed that the latest schemes available with GOI are **better conceived, structured and well implemented and sought** after (example: CMGEP, PMEGP, PMFME, Stand Up India, PM-AJAY[27] etc.). Hence, to enable direct finance schemes to yield results, it is recommended that the MPBCDCL **should simply adopt, adapt, and rename** (akin to renaming of PMEGP as CMEGP) **GOI schemes,** in the first go, the GoI's Stand Up India scheme (the details of these schemes - Stand-up India, PMEGP and CMEGP- are reproduced in **Annexure 5**) and further, in the next phase the Corporation should consider currently active GoI schemes (see representative GoI scheme list is in **Annexure 6**).

b) **Additionality principle and Substantial Finance -** First, GOM should add on to the incentives to beneficiaries over and above what GOI offers in these schemes. The GoI allows additional margin money from the state government schemes or other schemes of GOI. Here, GoI uses the term margin money as a subsidy component. We have seen in the first chapter that the term 'margin money' is used by the MPBCDCL as a soft loan given by the MPBCDCL. The additionality principle based on the margin money and subsidy has been clarified in the respective schemes. Second, it should enhance existing scope and range of financing**.** In present times, small amounts in the range of Rs.50,000 to Rs.5 lakh are being financed to backward classes. These amounts are not in line with industry needs and pace of growth. Even nano businesses have mostly larger project cost financing needs as compared to these numbers. As they were prescribed several years ago and not updated, the amounts (funding quantum) are also not enough to support manufacturing activities, agriculture or food processing industries. Thus, it is recommended that the new schemes should have **range from Rs. 50,000 to Rs.15 crores**.

In keeping with the above two principles and the proposed scope; <u>the following accelerated **implementation directions** are proposed for MPBCDCL's new schemes:</u>

[27] PM-AJAY: Pradhan Mantri - Anusuchit Jaati Abhyuday Yojana (PM-AJAY), launched in 2021; PMFME: Pradhan Mantri Formalisation of Micro Food Processing Enterprises

A. Adopt, adapt, and Rename relevant GoI schemes.

Within "adopt, adapt and rename approach to GoI schemes", the Study Group has three distinct recommendations here as below:

The above-mentioned MUDRA-type schemes' purview would be projects up to Rs.10 lakhs.

A Schemes- Financed Up to Rs.10 lakh

A Scheme for Additionality to MUDRA Beneficiaries[28]

As discussed in the earlier chapter, the coverage and reach of the corporation has not been substantial. There are problems with the corporation to **reach to the poorest and the remote areas** of the state and particularly to **reach to the Dalit vasti which** is an integral part of each and every village even today**.** The group is of the opinion that this will not be possible for the corporation on its own even if its capacity is enhanced. The only way to reach to this target group is to reach to them with the help of rich network of banking and non-banking financial intermediaries. **The study group found the GOI model of MUDRA schemes well suited for this purpose**. This is a tested and proven model. The Pradhan Mantri MUDRA Yojana (PMMY) scheme was launched in 2015 to provide loans up to **Rs.10 lakh** to non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA (Micro Units Development and Refinance Agency Limited) loans under PMMY.[29]

MUDRA is a financial institution (FI) of the GoI and a wholly owned subsidiary of the Small Industries Development Bank of India (SIDBI). MUDRA has been engaged in the implementation of the PMMY by

[28] https://mudra.org.in/
[29] Source: https://mudra.org.in/

providing refinance, extending credit guarantee support and by monitoring the progress of the PMMY scheme via a dedicated web portal.[30]

MUDRA is primarily known to refinance the network of **last mile financial institutions (FIs)** to disburse various types of small ticket loans up to Rs.10 lakhs to beneficiaries (including SCs, STs, OBC[31], women, minorities, MULM, NRLM, Mudra Card, PMJDY OD account, Skill Certified, Self-Certified, Unskilled etc. including Non–Corporate Small Business Segment (NCSB) comprising millions of proprietorship / partnership firms running as small manufacturing units, service sector units.

MUDRA primarily is a refinancing structure. This Agency is responsible for developing and refinancing all micro-enterprises sector by supporting the finance institutions which are in the business of lending to micro / small business entities of manufacturing, trading and service activities. Thus, MUDRA partners with banks, MFIs and other lending institutions at state level / regional level to provide micro finance support to the micro enterprise sector in the country. Presently, the authorized capital of MUDRA is Rs.1,000 crores and paid-up capital is Rs.750 crore, fully subscribed by SIDBI. The refinancing is primarily to take care of the problem of access.

With additionality to MUDRA, the Corporation would be able to expand its reach to small SC *balutedars*, shopkeepers, fruits / vegetable vendors, truck operators, food-service units, repair shops, machine operators, small industries, artisans, food processors, artisans, , self-help groups (SHGs) and others, in rural and also urban areas.

This GoM schemes are expected to take care of all these small entrepreneurs of SC community.

[30] Source: Coffee Table Book – MUDRA, https://mudra.org.in/
[31] OBC – Other Backward Classes.

<u>Loans under MUDRA are disbursed in three categories as follows:</u>

i. Shishu - up to Rs.50,000
ii. Kishore – from Rs.50,000 and up to Rs.5 lakhs
iii. Tarun – above Rs.5 lakhs and up to Rs.10 lakhs

MUDRA loans up to Rs.10 lakh are **collateral free**, with repayment terms ranging from 12 months (1 year) to 5 years and have flexible equal monthly instalments (EMIs). Further, they can be covered under the Credit Guarantee Fund for Micro Units (CGFMU) operated by National Credit Guarantee Trustee Company Limited (NCGTC).

Given its popularity, mass outreach and benefits, the Study Group recommends that MPBCDCL's assistance for all projects under Rs.10 lakhs value be brought under the purview of a new scheme on the lines of MUDRA for additional assistance.

A pre-defined list of FIs called the **Member Lending Institutions (MLIs)** are eligible to implement MUDRA. The list of the approved FIs is at **Annexure 7**. The same MLIs be used for MPBCDCL as well.

With this background we propose following schemes structure on line with the MUDRA.

<u>A Loans of up to Rs. 50,000</u>

Government of Maharashtra in its GR dated 16/09/2022 has framed the subsidy pattern for financing below Rs.50,000 to follow the PM-AJAY scheme. PM-AJAY allows subsidy of Rs.10,000 or 50% of the loan amount, under SCA. The study group recommends that the benefit of this provision should be taken. Thus, a new scheme should be framed for giving this additional benefit to MUDRA beneficiaries. The projects to be assisted in this bracket should be similar to that of shishu bracket of Mudra. This subsidy would be in addition to the interest subvention as detailed below for the higher bracket schemes.

B Loans between Rs. 50,000 and Rs.5 lakh

Besides and at present, the MPBCDCL runs a margin money scheme for bankable proposals. Here, margin money is provided up to Rs.1 lakh at an interest rate of 10%. But the group recommends that the interest rate should be **capped to the maximum that is charged by NSFDC** from time to time and the balance interest over and above as charged by the bank should be borne by the MPBCDCL, **as interest subvention.** In addition to the interest subvention, **subsidy amount as allowed by PM-AJAY be also given to the beneficiaries.**

C Loans between Rs.5 lakh and Rs.10 lakhs

The projects to be assisted in this bracket should be similar to that of Tarun scheme of Mudra. Additionally, under this bracket, there should be interest subventions scheme where interest rates are capped at the rate offered by NSFDC and rest be borne by the corporation.

It is pertinent to note that, there is **no subsidy component in the MUDRA** scheme of GOI. However, all existing MPBCDCL's schemes do have subsidies. Thus, the study group recommends that as an additionality principle, all schemes financing under Rs.10 lakh shall also have subsidy component as allowed from SCA under PM-AJAY.

Further MUDRA schemes are collateral free as they are covered under the Credit Guarantee Fund for Micro Units (CGFMU) operated by National Credit Guarantee Trustee Company Limited (NCGTC). The Study Group proposes a similar fund by the State Government (details are given subsequently) and recommends that if MUDRA beneficiaries face any constraints from the GOI fund, then the beneficiaries in Maharashtra should receive benefit of the Credit guarantee fund established by the State.

At present, interest rates in the MUDRA scheme are as follows:

i. Shishu – 1% - 12%
ii. Kishore - 8.60% to 11.15%
iii. Tarun – 11.15% to 20%

However, there is flexibility to the last mile lending institutions to determine the interest rate within the standard Reserve Bank of India (RBI) guidelines. So, depending on the nature of the project and beneficiary, MPBCDCL shall issue the similar guidelines.

Thus, the Study Group is of the opinion that GOM would, by the above recommended proposal, have better incentives up to Rs.10 lakh financial schemes as compared to the GOI and hence be more attractive, i.e.:

1. It would have subsidy component, which is lacking in MUDRA.
2. There would be interest subvention and
3. The scheme would be a collateral-free guarantee scheme.

D Focused Group Schemes

1. **Scheme for previously skilled SC beneficiaries –** With the establishment of the Ministry of Skill Development and Entrepreneurship (MSDE) at the Centre in 2015, it was for the first time that there came in a specific focus to enhance employability of youth through skill development. Several skill-oriented programs were thus introduced in the country. With this background and in keeping with the times, it is recommended that MPBCDCL should design a skill-focused loan scheme to support skilled SC beneficiaries.

   Thus, the study group recommends introduction of '**Personal Loan Interest Repayment Plan'** for loan support via GoM's Skill Development Department. The uniqueness of this scheme is that it departs from the mandated regular requirement for beneficiaries to undergo entrepreneurship development training as one of the eligibility criteria to obtain MPBCDCL loans. This scheme also **does not** need to go through the banking channel. Since this scheme shall serve only those who are already skilled from relevant programs of the Skill Development Department and does not have a banking touch point for approval and sanctioning, it accelerates the possibility of loan disbursement to deserving skilled SC beneficiaries. Further, it is recommended to maintain the interest rate within the limit of 12%.

2. **Scheme for women SC beneficiaries –** In recent years there has also been a focus, at the Centre, on introducing more women-oriented support mechanisms to accelerate their access to finance and to mainstream them in socio-economic development. Particularly, PMMY of 2015, which promotes entrepreneurship through micro-credit access, reports that women entrepreneurs have received the majority of loans since the scheme's inception[32].

   Further, it is also one of the mandates of this Study Group to take steps for gender inclusivity as and where possible in the recommendations for revamping of MPBCDCL. Therefore, the Study Group recommends that MPBCDCL should introduce the '**Group Loan Interest Repayment Plan'** for loan support up to Rs.50 lakhs for up to five women together. To effectively implement this scheme, we recommend that MPBCDCL should leverage the existing execution machinery in the state of Maharashtra. This machinery includes institutional platforms (including both community and women-based) such as Maharashtra State Rural Livelihoods Mission (MSRLM) and Mahila Arthik Vikas Mahamandal (MAVIM). The Study Group also recommends that for appropriate leverage, MPBCDCL should enter into Memorandum of Association (MoUs) with these and such other state-based institutions so that the outreach to SC women beneficiaries is accelerated and they are benefited from this group loan scheme.

[32] Source: https://moneyview.in/insights/government-loan-schemes-for-women-in-india

B Schemes above Rs.10 lakh to Rs.1 crore

In this category the group recommends:

1. Adopt and rename Stand-Up India scheme as the mainframe scheme for project sizes from Rs. 10 Lakh to Rs. 1 crore on immediate basis.[33] (the Study Group is not suggesting new names, but the state will require to rename these schemes framed on the basis of GOI schemes while adopting the additionality principle).

2. Adopt, adapt, reframe and rename currently active GoI schemes covering a wide variety of sectors including animal husbandry, agriculture etc. in a **phased manner** (a representative list of relevant schemes is given in the **Annexure 6** for reference).

The study group recommends following two subsidy principles while reframing GoI schemes. These subsidy principles are based on the principle of additionality accepted by the Government of Maharashtra (GOM) while framing Chief Minister Employment Generation Program (CMEGP), further based on the Prime Minister's Employment Generation Program (PMEGP). In this case, the GoM has approved subsidy up to the extent of 35%. So, our **recommendations are**:

1. If, in any GoI scheme, there is a provision of margin money to be provided by the state governments or any other schemes, this margin money should be offered by GOM from Scheduled Caste Sub-Plan (SCSP). **In the margin money, subsidy component should be capped at 15%.**

2. Further**, 20% amount should be margin money in the form of soft loan**. The Study Group recommends that this **subsidy principle be kept constant across all schemes**. The interest percentage should be equivalent to the amount charged to the beneficiary by NSFCDC. At present, the interest charge to beneficiaries' ranges from 6% to 8% depending up on the project cost. The corporation could adopt the interest rate from time to time.

[33] Stand-Up India is GoI's most successful scheme amongst SCs and STs so far, especially amongst women. The study group recommends that GoM should implement the scheme with same eligibility criteria and methodology. However, take note that GoI has given bank target and made NABARD as nodal agency. Similarly, it is recommended that MPBCDCL should function as the nodal agency in the state for Stand-Up India (Stand-Up India scheme has no income criteria, same as PM-AJAY so same principle can be followed by MPBCDCL as well).

3. However, where there is no explicit mention of margin money in GoI schemes, the **GoM_should offer 15% as subsidy following the 'additionally benefit' or incentive.**

A foundational recommendation of the Study Group is that a policy decision to this effect on the above three points should be taken by the Government of Maharashtra at the cabinet level and rest of the scheme formulations and designing the details of the schemes be left to the corporation.

As mentioned earlier, **this vertical's purview shall be projects of sizes up to Rs.1 crore only.** Any project over Rs.1 crore in size will be looked into by the NBFC arm of MPBCDCL (the third vertical, which is explained later)).

Here we reiterate that the GoM should give complete flexibility to MPBCDCL to adopt and reframe GoI schemes and also to devise new schemes based on above subsidy principles. Besides, all funds meant for subsidy should be provided from the SCP. This should be a **cabinet policy** decision by the Government of Maharashtra. **At present other than the share capital, the corporation does not receive any scheme grants from the GOM, as against most of the other departments of the state government which receive funds from SCP for various programs and schemes.**

Further, the State Level Bankers' Committee (SLBC) should be given additional independent targets for these state government's version schemes to be fulfilled by banks. We also recommend that the margin money of GoI schemes be deposited upfront by MPBCDCL into banks as envisaged in the GOI's Stand Up India scheme. Banks will only release the fund after receiving MBPCDCL's consent and MBPCDCL shall continue to earn bank interest on the same before such fund is disbursed by the banks.

Further, **the procedures to be adopted** for implementation of these schemes should also be in **line with the implementation of the GoI scheme**, particularly the **portal-driven** (technology) approach and the way in which the subsidy component flows to the beneficiary.

Corporation's flexibility to frame new schemes:

The Study Group is of the firm view that MPBCDCL should have the liberty to frame a new scheme under the standard principle of subsidy pattern as mentioned above which should take care of demand and exigencies from time to time. As per present practice, the Government frames each and every scheme and MPBCDCL implements them. The study group observes that this is inappropriate as the new adoption of schemes must keep pace with the times (which they have not, in case of MPBCDCL) and further that the MPBCDCL, set by the Government as a specialized entity, itself is presumed to have expertise in this respect. That said, if any deviation in the subsidy pattern is proposed then the proposal should be forwarded to the GoM for a decision on the same. However, the overall new schemes formulations and the targets would be subjected to the limit of the funds provided by the GOM to the corporation.

An important recommendation of the Study Group is that the policy decision in this effect on the above principles should be taken by the Government of Maharashtra at the cabinet level and rest of the schemes formulations and design of the details of the schemes should be left to the corporation.

Given various factors such as already existing popular GoI schemes and institutional platforms, this Study Group is not suggesting a plethora of new schemes or reinventing the wheel of any kind in so far as new schemes is concerned. Rather, the Study Group is focusing on recommending that MPBCDCL should adopt principles of existing schemes and leverage the knowledge, wisdom and mechanisms already acquired by existing schemes for the benefit of SCs in Maharashtra.

To conclude in brief, all beneficiaries for project sizes up to Rs.1 crore shall be covered under this vertical of 'redefined' schemes. All projects above Rs. 1 crore shall be directed to the NBFC vertical for perusal.

The Study Group however underlines that we have not proposed a plethora of new schemes and we are of the opinion that we have proposed the approach towards developing new schemes. **We recommend that depending on time and expertise gained and generated by the corporation, the Corporation would go beyond the ideas of the GOI schemes and evolve new schemes to suit the target population's**

requirements from time to time within the subsidy and soft loan pattern fixed and the overall budget allocated by the GoM. That said, at present, even if the Corporation implements the proposals by the Study Group embedded in this report, that itself would begin to make a substantial difference to the SC beneficiaries of the State.

4.2.2 Vertical 2 – Government of India Schemes

This second vertical shall be a new one altogether within MPBCDCL. This recommended vertical would proactively work with GoI, beneficiaries, banks and other stakeholders and ensure that maximum beneficiaries, especially entrepreneurs, get adequately supported under the available and ever-evolving GoI schemes.

It is observed that the Government of India (GoI) has several schemes through which much finance is made available, especially since 2015. Hence, the appropriate implementation of these schemes by MPBCDCL, can help increase the quantum of assistance to the benefit of the backward classes. To achieve this, the MPBCDCL would facilitate beneficiary outreach for the representative list of existing GoI schemes. Even though this vertical looks similar to the earlier vertical we are of the opinion that this vertical has the potential to **enhance the coverage of GOI schemes in the state of Maharashtra.**

Figure 11: MUDRA – performance of top 10 states in India

SN	Name of State	Sanction Amount (2021-2022) (In Rs. Crores)	Sanction Amount (2020-2021) (In Rs. Crores)
1	West Bengal	34,893.20	29,335.98
2	Uttar Pradesh	33,663.73	29,231.35
3	Tamil Nadu	32,477.55	28,967.97
4	Bihar	32,096.95	25,589.31
5	Karnataka	28,695.29	30,199.18
6	**Maharashtra**	**25,797.74**	**25,208.63**
7	Rajasthan	18,999.20	18,571.38
8	Madhya Pradesh	18,814.95	18,474.24
9	Odisha	16,900	15,328.63
10	Gujarat	12,152.39	11,579.26
	TOTAL	2,54,491	2,32,485.93

As per the data available in the public domain, the beneficiary coverage under Stand Up India in Maharashtra State up to 2021 is 445 beneficiaries, with sanctioned amount of 103 crores. Thus there is scope to increase the coverage in these important GOI schemes.

Given the above, the study group envisages the following **role of the Corporation in this vertical:**

1. **Facilitation:**
    a. Maintain and update a complete know-how of GoI schemes and procedures and targets so that MPBCDCL can support GoI organisations in meeting those targets, amongst the SC and neo-Buddhist populations.
    b. Liaise with GoI departments to facilitate implementation of the chosen schemes.
    c. Appoint agency/ies / consultancies through competitive bid processes to identify beneficiaries and to direct / match them to the appropriate GoI scheme/s with the help of the agencies appointed by the corporation for their own schemes as recommended in the chapter of Entrepreneur development.

2. **Implementation**:

    Several GoI PSU/quasi-governments (example: IFCI[34]/ NABCONS / SIDBI and similar entities) have their own internal schemes for beneficiaries. **The study group recommends that in this vertical the MPBCDCL's roles should also be to enter into MoUs with such entities.** The main thrust of such MOUs would be for MPBCDCL to give these entities additional targets to cover part of the Corporation's target SC beneficiaries. In return, the Corporation shall offer **service charges** to these entities to implement their schemes for SC[35] beneficiaries.

3. **Single window operation with additional benefits:**

    Lastly, included in the scope of this vertical would be have MPBCDCL operate as a **single window for margin money and subsidy disbursement.** It is envisioned that this vertical should be a single window for giving margin money and subsidy component across schemes, as in GoI schemes. GoI schemes such as Stand-Up India, Start-up India etc. provide for 25% of margin money from GoI schemes.

34 IFCI: Industrial Finance Corporation of India; NABCONS: NABARD Consultancy Services.
35 All references to SC (Scheduled Castes) are assumed to refer to neo-Buddhists as well, throughout this report, even if both are not explicitly mentioned together in the main text, except where schemes/policies/GRs/government notifications have specific references.

As stated earlier, the recommendation is that the **GoM to take a policy decision that wherever there is a provision of margin money, the complete amount of that margin money should be provided by the MPBCDCL and this component should be extended from the SCP.**

In schemes implemented by GOI via any of its ministries or agencies like NABARD, SIBDI, KVIC[36] etc., wherever there is no provision of margin money, **then it is recommended that an additional 15% assistance is given by MPBCDCL, for better offtake of beneficiaries**. As mentioned, this additional 15% amount shall be provided by the state government through SCSP.

It is also recommended that the margin money of GoI schemes be deposited upfront by MPBCDCL into the banks. Thus, the MPBCDCL is envisaged as a Single Window to disburse GOI schemes' margin money and /or subsidy component.

Further, several organisations have their own and popular schemes for entrepreneurial development. Therefore, our second recommendation for this vertical is that MPBCDCL should have an **MOU** with NABARD, NABFINS[37] (for traders' loan/direct lending etc.), NABCONS, SIDBI and/or KVIC and through them cover SC beneficiaries. For this, MPBCDCL should **pay mutually agreeable service charges to cover SC beneficiaries** referred by these organisations. This would increase collaborative efforts of the ecosystem towards a common approach to benefit our target group and ensure that beneficiaries are selected for well-established and time-tested schemes in a professional manner.

<u>The various ways that MPBCDCL shall discharge the scope of vertical 2 shall include but not be limited to the following:</u>

To begin with, for beneficiaries identified in the melawa i.e., beneficiary gathering / meet ups are the ones that should be screened for their eligibility and alignment/match making and encourage them to take up GoI schemes (done by the appointed agencies as mentioned above). These *melawas* must mobilise potential

36 NABARD: National Bank for Agriculture and Rural Development KVIC: Khadi and Village Industries Commission.
[37] NABFINS: Is a subsidiary of NABARD & a non-deposit taking RBI-registered NBFC operating nation-wide.

beneficiaries from *dalit vastis*. Focusing and reaching out to each *dalit vasti* should be the most important extension activity of the corporation and should be monitored actively by the highest level in the Corporation. Thereby, *Dalit vasti* should be the unit of identification of the beneficiaries. Subsequently, the MPBCDCL shall perform the role of handholding beneficiaries towards accessing suitable GoI schemes. The aim is to leave the beneficiaries better off even if they are not being supported directly by MPBCDCL i.e., previous vertical of MPBCDCL's redefined schemes.

Effectively, the MPBCDCL shall make efforts to check whether a beneficiary can be served under vertical 1, 2 or 3 before turning away any beneficiary**. In fact, one of the underlying purposes of creating these three verticals is so that no eligible beneficiary is turned away by MPBCDCL.**

Thereby, vertical 2 shall ensure that the maximum benefit of GoI schemes is provided to beneficiaries and a greater coverage of beneficiary groups is achieved. The first vertical would cover the target given by the Government of Maharashtra. As the Government of India would be giving its own target, the second vertical would ensure facilitation and giving additional incentives as reiterated above in the GOI schemes. In this manner, it is envisaged, that a greater number of beneficiaries in the state could be covered.

Overall, this vertical, being of the nature proposed, is envisaged to make sweeping changes to the beneficiary ecosystem as it would involve judicious alignment of schemes with beneficiaries and MPBCDCL's continual knowledge updation and coordination with GoI to enable scheme & beneficiary alignment and execution.

To conclude, in above roles, the Corporation shall meet additional targets via other agencies with cash outflow towards their service charges.

From verticals 1 and 2, even if there appears to be any duplication, there is a qualitative difference of subsidy principle and a quantitative difference being net additionality in physical targets of beneficiaries. Thus, the Study Group envisages a distinct value addition in formation of these 2 verticals.

4.2.3 Vertical 2 – NBFC – Big Ticket and Innovative Schemes

In this last vertical, the MPBCDCL will move closer to adhering with clauses A(1) and A(2) of its MoA. While the above verticals do so as well, vertical 3 is all about delineating the Corporation from any dependencies or traces as a government body and operate as a **fully professional and market-oriented arm** of MPBCDCL. This arm shall be **the NBFC arm** of MPBCDCL. It shall focus on 'Big Ticket and Innovative schemes' that encompass a wider scope beyond just funding. These schemes or provisions or offerings will be the kind that keep pace with the changing times, changing financial products or entrepreneurial development services so that substantive incremental income and also employment opportunities are generated and such that no beneficiary is left behind due to any bottlenecks in the ecosystem. At present, it is recommended that schemes from Rs. **1 crore to 15 crore be dealt by this NBFC. Thus, over all cap of financing by the corporation would be Rs.15 crores. This figure is taken form the Venture funds of scheduled caste set up by GOI.**

Given this background and intention, the Study Group envisages the following role of the Corporation in this vertical:

1. **Financing**: All proposals greater than Rs.1 crore to 15 crore, bankable or otherwise, should be dealt with only by this NBFC (more details later) and

2. **Innovation:** The mainstay of this vertical is the innovation role. This would involve innovative schemes that are popular across small business owners and start-ups in the country already including – Venture Capital or fund, Franchise model, Incubators etc.

It is appropriate for the MPBCDCL to dive into offering big ticket and innovative schemes specifically to serve its SC beneficiaries too. That said, a formal structure and entity is required to implement both roles 1 and 2 above, such that the entity is still a part of MPBCDCL but purely professionally run. For this, the Study Group recommends that the GoM should **establish** an independent subsidiary company called the **'Mahatma Phule Scheduled Caste Finance Corporation' (MPSCFC).** This company shall be a wholly owned subsidiary company of the parent MPBCDCL and registered under the Companies Act. It would obtain a **license from the Reserve Bank of India's** (RBI). Besides, all the necessary formalities as per the constitution shall be completed.

It is further recommended that the GoM should provide **Rs.500 crores as seed capital** (Grant in Aid – GIA) to enable this new entity to be incorporated. Further, the Study Group recommends that GoM should provide for the MPSCFC in each **fiscal year to the extent of Rs.100 crores (YoY**) from **SCP** (Special Caste Plan) to enable further extend the GIA to beneficiaries as credit through scheme implementation.

This corporation is nothing but the extension, expansion and borrowing from the principles of the Government's decision of the Bharat Ratna Dr. Babasaheb Ambedkar Fund for SC/Scheme (reference Bharat Ratna Dr. Babasaheb Ambedkar Fund for SC/ST (BRBASCST)- fund updates for the period ended February 2023 - see **Annexure 8** for introduction to the BRBASCST), and GRs of the state Government from time to time including GRs dated, 11/02/2016, Gr dated 11/05/2016, GR dated29/03/2019. This scheme has accepted the principles of venture fund and start-ups and given the responsibility of implementation to the state's Industries Department, who are managing the fund through IDBI Capital. The study group proposes that the Corporation applies this scheme using its own mechanism and also expands the scope and quantum of this scheme as appropriate for the target group.

It is also recommended that the organisation composition of the MPSCFC should include **Chairman i.e., retired managing director/ or similar or appropriate level official of public or private sector banks or LIC[38] or NABARD or SIDBI or reputed NBFCs**. The Chairman should be offered an appropriate honorarium as that of non-executive chairman of a public or private sector bank. There should be a **Search Committee** of the Chairman, MPSCFC including the Chief Secretary, Planning Secretary and Finance Secretary and working Chairman or representative of NABARD or SIDBI and a senior representative of one nationalised bank (For example: SBI). The Government shall appoint the Chairman on recommendation of the search committee. The Composition would further include a **Board**.

1. Chairman
2. Government Directors

[38] LIC – Life Insurance Corporation of India (LIC)

3. Secretary Finance
4. Secretary Planning
5. Secretary Social Justice
6. MD, MPBCDCL
7. MD SICOM
8. Other Directors Representative of appropriate expertise of
9. SIDBI
10. NABCONS
11. IFCI
12. State Bank
13. Two Private NBFCs Associated with HDFC/ICICI/Kotak Mahindra Bank
14. CEO of the proposed NBFC

The Board shall appoint a **Standing committee of experts to assess and apprise and recommend to the board the proposals.** The expert committee's experience should include areas such as agriculture, industry, finance etc and shall also include senior retired officials of the NABARD, IFCI, SICOM, private sector banks, reputed NBFCs' etc. In so far as the organisation structure and identifying **resources for the same is concerned, this should be left to the Board's able decision-making capacity. There would be a CEO whose appointment would be done by the first board and the board itself should be left to fix criteria for CEO appointment and remunerations.**

Further, elaborating on the roles 1 (financing) and 2 (innovation) as follows:

1. FINANCING:

In so far as role number 1 (NBFC to deal with project sizes greater than Rs.1 crore) is concerned there would be a ceiling of Rs.15 crores for financial assistance to beneficiaries under this vertical. However, each project shall be liable to be assessed and funded on its own merit. **The schemes here would involve both bankable and non-bankable scheme-own fund schemes.**

Bankable Schemes

As seen, in the previous two verticals, projects up to Rs.10 lakhs are to be covered in MUDRA-type schemes and projects from Rs.10 lakhs to Rs.1 crore are to be covered as per Stand-up India structure and procedure. The principle with which the recommendations are made by the Study Group is that there is a high upper limit of Rs.15 crores for the MPBCDCL to fund the projects. But this principle imposes much more financial proprietary / responsibility/ discreetness on MPBCDCL's part and involves specialised expertise to deal with such high value proposals.

Thus, we recommend that all **bankable projects where project size is greater than Rs.1 crore and up to Rs.15 crores –** the MPSCFC would assess such cases as the standard principle adopted. For such projects, **the GoM is expected to assist with 25% assistance,** keeping the principle same as mentioned in part 1, in the form of both 15% subsidy and 20% soft loan. But **the absolute** amount of **subsidy** be capped to the extent of maximum of **Rs.15 lakh only. This limit is drawn from earlier explained Stand Up like scheme of up to Rs.1 crore where maximum subsidy could be only to the extent of Rs.15 lakh.** So far as the **20% soft loan** is concerned, this can be up to 20% with **interest subvention** on the lines as earlier proposed where interest rates are capped with that of **NSFDC.**

2. **INNOVATION:**

Venture Capital – The MPSCFC shall assess and deploy new age or innovative financial instruments such as a venture fund on case basis where business' show significant value proposition.

As per the 'Venture Capital Fund for Scheduled Castes' of GOI, the considered values are Rs.10 lakh to Rs.15 crores. The financing structure under GOI fund is as follows:

Investment under the fund will be categorized as follows:

i. Financial assistance **up to** Rs.5 crores - Investment under this category shall be funded as:
   a. Maximum up to 75% of the project cost and
   b. Balance 25% of the project cost shall be funded by project promoters or through Government subsidy under various schemes of central or state governments and

ii. Financial assistance **above** Rs.5 crores – Investment under this category shall be funded as:

a. Maximum up to 50% of the project cost.

b. At least 25% of the project cost shall be funded by project promoters or through Government subsidy under various schemes of central or state Government and

c. Balance 25% of the project cost can be funded either by promoters or by the bank or any other financial institutions (FIs). In cases where Government subsidy is made available, the promoters' contribution shall be at least 15% of the project cost.

The corporation should evolve its own Venture Capital fund scheme for scheduled caste on the lines of GOI scheme explained above (i.e., Venture Capital Fund for Scheduled Castes')

The GoI Venture Fund details (annexed) can be referred to for further understanding the fund design and the terms for security and collateral. The Study Group recommends that the MPSCFC (The corporation's NBFC) should adopt the same principles. Further, what is the need for a venture capital fund in general and what are its potential benefits are also explained in **Annexure 9**.

However, there would not be any component of state subsidy as the entire fund would be made available by the state of Maharashtra. Thus, the beneficiary will have to mobilise own fund or that from banks.

3. **Incubation –** This involves promoting innovation and indigenous entrepreneurship. Self-employment and entrepreneurship learning programs are significant for personal, economic and social development. Innovation and impact (economic, social, environmental, gender etc.) are key pillars of small and nano-entrepreneurship. Therefore, to strengthen innovation and indigenous entrepreneurship, the MPSCFC should run **innovation challenges, results-based financing** etc. to incubate business ideas from their beneficiaries and encourage an entrepreneurial mindset and culture across project lifecycle. The MPSCFC shall provide budding entrepreneurs with the necessary resources and a conducive environment to start and grow their own businesses through incubation support. This will be achieved through the creation of domain-specific incubation centers in emerging technologies, which will be

established and run by the MPSCFC. The intention of the MPSCFC shall also be to promote entrepreneurship as a viable career option among young SC individuals.

Such incubator handholding support already has many precedents that the MPSCFC can learn from. The **Department of Science and Technology (DST),** GoI offers support in partnership with India Institutes of Technology (IIT) so technical support and guidance is within easy reach of applicants. **The MPSCFC should identify all such platforms of the GoI and should give additional funds to such partners and facilitate the incubation of SC entrepreneurs as well. This can follow principle of additionality of 10% incentive as mentioned in the first part.**

Besides, the MPSCFC should enter into MOU with the **Atal Innovation Mission (AIM)**[39] that has been establishing world class incubators named Atal Incubation Centres (AICs) across India and has a good track record to learn from. The corporation should ride on this infrastructure to provide readymade platform to budding entrepreneurs.

Besides, the learnings can also be explored from other states' incubation schemes such as **IGKV-R-ABI-RKVY-RAFTAAR of Chattisgarh state for the food processing sector, PRAYAS, BIRAC etc.**

Regardless of which model or framework is adopted for venture funding, franchising or incubation, the MPSCFC shall follow a general principle. This principle would be to adopt and adapt existing innovative tools and schemes in a way that the hosting portal shall be MPSCFC's own while practices could be theirs, and modalities of disbursement / subsidy (timing of release, frequency, sequence) would be aligned with GoI norms. **Besides, incubators should strictly only be with Government organizations of central government or state government or approved by the GoI.**

[39] Source: https://aim.gov.in/aic.php

Further, **MAHAPREIT**, a subsidiary of MPBCDCL, has already designed an **"Incubation and Acceleration Program"** and described in detail its objectives, key features of its incubation program such as identified domains, focus areas, duration, target beneficiaries, infrastructure etc., described the 'incubation and acceleration model' itself comprising stages from education to incubation to acceleration, integration and ending with investment from MAHAPERIT's own venture fund, the model governance structure, the collaborative network of mentors & partners, and goals & deliverables over a five-year period.

Besides, **Incubation Program Proposal** is reproduced in the **Annexure 10** and serves as a ready in-house model for the proposed MPSCFC to launch its incubator program with.

4. **Franchise**

Franchise Business model - A franchise model is a business based purely on the relationship between a franchisor and a franchisee. The franchisor in this case would relate to any established business entity or brand looking to expand or scale up in areas where they foresee value proposition and growth via a franchisee. This saves their costs and investments in new units or outlets. A franchisee on the other side of the table, is the entity that may fulfil the franchisor's criteria to be able to deliver the standardized product (for example: McDonald's has franchisees all over the globe) and acquire a ready-made business via the franchisor's licence that they buy for a fee. The franchisor gets an expanded brand presence and the franchisee saves time and money in testing business models and potentially starts to make revenues earlier.

A few states in India have successfully launched Franchise Business Models. For example: **Karnataka's Samriddhi Scheme**[40]. The NBFC should design a similar scheme. for Maharashtra

---

[40] Source: http://www.adcl.karnataka.gov.in/en/samruddhi_scheme.html and http://www.adcl.karnataka.gov.in/pdf/Schemes/Samruddhi_Scheme/samruddhi_en.pdf : Details of Dr. B.R Ambedkar Development Corporation's Samruddhi Scheme: With a vision of driving entrepreneurs among economically backward sections (scheduled caste) in the state of Karnataka, the Department of Social welfare has launched Samruddhi. Salient features:

- The objective of this programme is to take entrepreneurship to tier II and tier III regions.
- This scheme is touted as the country's most aspirational programme.

SCs. Besides, the quantum of funding that the Government would contribute would have a fundamental guiding principle i.e., of 15% subsidy and 20% margin money. Also, online entrepreneurial platforms do exist, example: **Franchise India**[41], which the MPSCFC should leverage to get their beneficiaries connected and onboarded on.

5. **Collaborate –** While exploring and executing new age or innovative schemes, the MPSCFC shall look to ride on existing ones for a win-win situation through collaborations. Example: with NABARD, SICOM Limited, IFCI or SIDBI, SCIENCE AND TECHNOLOGY PARK OF GOI (STP) and even private organizations (See SICOM proposal in **Annexure 11**) for greater outreach to its beneficiaries and for optimal leverage of the existing ecosystem.

- The scheme focuses more on non-technological entrepreneurship model where the applicant will be entitled to set up a retail outlet after having undergoing a training process provided by the franchisor.
- Samruddhi also looks to impart skills after ascertaining the requirement from the industry.
- The programme aims to build a robust network of franchisors and eventually extend the range of products and services on offer to tier II and tier III towns which cater to the people at the bottom of the pyramid.
- Samruddhi aims build plug and play models of micro franchisee with a motive of turning a job seeker to a job giver.
- The subsidy component of this scheme is Rs. 10,00,000/-

[41] Franchise India portal: https://www.franchiseindia.com/

Chapter 5

Management and Finances

The Corporation

It is necessary that the corporation should function and also interact and interface with all stake holders and particularly the beneficiaries in professional but conducive and proactive manner. Thus, strong behavioural and management training should be imparted to the existing staff. The group has proposed expertise from market to the extent possible in the management structure part of this report.

Further, there should be standardisation of the architecture and physical environment of the corporation office across the state. It should be welcoming to the beneficiaries and stake holders. All efforts should be made for the logo of the corporation to reach every village and *dalit vastis*. Strong IEC programmes need to be organised in this direction.

Board Structure

At present the Chairman of the Corporation is to be appointed by the Government. Generally, a non-official is appointed as Chairman of the Corporation. However, it is seen that the post of the Chairman has remained vacant for a considerable period of time.

The Study Group recommends that continuity of the Chairman is essential to the effective functioning of the MPBCDCL. The Group also recognises that the bulk of the resources would be obtained from the SCP of the GoM, the Minister in-charge of the Social Justice Department should be the ex-officio Chairman of the Corporation.

Further, considering the nature of the organisation that it is a professional financial corporation and substantial resources (money) is at stake, the Managing Director (MD) should be the ex-officio Vice Chairman of the Corporation.

Chairman - Minister in-charge of the Social Justice Department

1. Vice Chairman - MD

Government Directors:

2. Secretary, Social Justice
3. Representative of Finance Secretary (not below the rank of Deputy Secretary)
4. Commissioner, Agriculture
5. Development Commissioner, Industries
6. Commissioner, Skill Development

Directors:

7. Representative of the NSFDC
8. Representative of the NSFKDC
9. Representative of the SIDBI

Independent Directors:

10. Representative of the State Bank of India
11. Representative of the NABARD
12. Representative of the State Lead Bank
13. Expert - Financial sector
14. Expert – Agriculture and Allied /
15. Expert – Industry player / Academician

A total of 16 members of Board can be appointed so the experts can be appointed accordingly.

Management Structure at the Headquarters, Mumbai

The existing Management structure of the corporation is given in the previous chapters. Besides, current organisation structure & staffing numbers of the MPBCDCL are reproduced in **Annexure 12.**

As it is seen the organisation is headed by Managing Director who is generally the senior IAS Officer. Below M.D there are 02 posts of General Manager. One is GM (Regular) and another is GM (Recovery). The Pay scale of GM is Rs.15,600 – 39,000/month. Below GM there are 05 Deputy General Managers (DGMs). These 05 DGMs are DGM (Admin), DGM (Finance), DGM (Project I), DGM (Project II), DGM (Project III) & DGM (Recovery). The pay scale of the DGM is also Rs.15,600 – 39,000. In addition to this, regular DGMs post there are 2 GM equivalent posts, one of a Company Secretary and another of a Legal Advisor, which is contractual. Below DGM there are total 08 posts of Assistant General Managers (AGM). Two AGM are assisting the GM and rest 6 AGMs are assisting DGM. They are in the pay scale of Rs.9300 – 34,800. Thus, it can be seen that there are 03 DGM who are doing the core work related to projects. It is also seen that, out of 2 GMs one post is vacant. All 06 posts of DGM are vacant & 2 AGM posts are vacant. This pattern is at the headquarter level.

At the Division level, there are 06 posts of DGM, who head divisional offices. Out of these 6 DGM posts, 2 posts are currently vacant. There are 36 AGMs at the district level, they head district offices. Out of the 36 posts, 23 posts are vacant.

We have proposed a 'New Schemes' for corporation in earlier chapter. **The group is of the opinion that, without much creation of the new posts, the work in the current organisation structure can be reorganised so that the functioning of the corporation as per the new proposals and recommendations can launched without much ado**.

Recommendations of the group for the management structure:

1. Out of 02 General Managers, one GM each to be designated as GM- Administration, Company secretary & Legal Affairs.

2. The second GM to be designated as GM (Schemes). All schemes as proposed in the 'New Scheme' chapter would be handled by this GMs.
3. The group proposes that existing DGM (Finance) post be upgraded as GM (Finance), thus a new post of GM, in the pay scale of Rs.15,600 – 39,000 should be created. It needs to be mentioned that such proposals have already been submitted to the Government of Maharashtra by the corporation recently.
4. The post of DGM (Admin) be kept as it is. The post of DGM (Finance), the post of Company Secretary Equivalent to DGM, and the contractual post of Legal Advisor equivalent to DGM all these posts be kept as they exist.
5. There are 04 DGMs which are handling the projects-subjects as follows:

i. DGM (Project I) - Handling all schemes like Margin, Money, Bank, Training etc.
ii. DGM (Project II) - NSFDC Schemes
iii. DGM (Project III) - NSKFDC Schemes
iv. DGM (Project IV) - Recovery

We proposed the reorganisation of these DGMs post as follows:

i. DGM (Project I) – Less than 10 lac Mudra patterned schemes
ii. DGM (Project II) - All Schemes between 10 Lakhs to 1 Crore
iii. DGM (Project III) – Government of India Schemes Vertical
iv. DGM (Project IV) - All GoI & GoM undertaking companies (NABARD, SIDBI, IFLC, SICOM etc.)

6. There are 10 posts of AGM at the headquarter. Each DGM is assisted by AGM. The group recommends that these posts be retained as they are. However, the group proposes that, out of 10 AGM posts at the Headquarter, 4 AGMs would not be regular, permanent recruited officers, but they would be recruited from the market as experts on contractual basis.
7. The group proposes that all these AGMs should be MBA or equivalent in finance from recognized universities, preferably only from top 20 management institutions as per the standard declared MBA ranking list of MHRD-NIRF rankings for that year of recruitment. They would not be in the

permanent pay scale. The existing AGM pay scale is Rs.9300 – 34800, thus, overall emoluments are around Rs.80,000 – 1,20,200. Thus, contractual AGMs should be offered annual package from Rs.10-15 Lakhs. Further the group proposes that they should be recruited only through NBS agency. They can have 3 years of experience.

8. The corporation will also have freedom to hire consultants of the required expertise by following the due process.

Management Structure at the Divisional Level

At present, there are regional offices of the corporation which are co-terminus with the revenue divisions of the state. They are headed by an officer equivalent to DGM. We propose that they should be continued as it is. They have one AGM to assist them.

We propose additional creation of 01 contractual post of counsellor at each division level. The role of this counsellor would be properly guiding each and every entrepreneur, who has interface with the divisional office. Counsellor should be equivalent to grade pay of Rs.4,300 and hence, they should draw emoluments in the range of Rs. 75,000 – 1, 00,000. They also should be recruited from NBS Agency.

Management Structure at the District Level

At the District Level, the office is headed by District Manager (DM) who is equivalent to AGM. In addition to this, there are posts of Accountant, Assistant & Clerk at district level. We propose that the staffing pattern be retained as it is. However, we propose a new post of a counsellor as that of the divisional level at each district level as well.

Qualifications of Staff

As mentioned earlier almost 60% posts in the corporation are vacant. The group proposes phase wise migration in the recruitment qualification of the corporation officers. The existing officers should be given promotion in the normal course. However, for the existing vacancies & the vacancies which would arise after giving due promotion to all existing officers, new recruits with new education qualifications should be brought in. The recruitment qualification and experience should be freshly prescribed. All officers should be qualified MBAs (Finance) and recruited from the top 20 Management Institutions in India, as per the list of MHRD-NIRF rankings for that particular year when the advertisement is issued.

The GM should have 10 years of experience. The DGM should have 5 years of experience and AGM should have 3 years of experience, minimum. This experience particularly should be in Banks/ NBFCs. They can be recruited as per the existing system of recruitment by the GOM as they would be the regular officers of the corporation.

Further, it is seen that at present, the scale of DGM & GM is same, i.e., 6th pay grade pay of Rs.6,600/- per month. We propose that GM Grade pay should be increase to Rs.7600.

We are not proposing the entire restructuring of this organisation & management structure of the corporation. This was not the mandate of the study group. However, we are proposing the amendment and reorganisation to take care of the new schemes recommendation only. The complete staffing pattern can be reviewed by the corporation beyond what is proposed in this report.

NBFC Structure and Staffing

In the New Schemes chapter, we have proposed a new NBFC subsidiary of the corporation. The group has recommended the creation of the post of a **Chief Executive Officer** (CEO). We propose the posts post of a CEO, one post GM, one post of DGM and 2 posts of AGM should be created for the NBFC. Further, a post of GM as CFO should be created for NBFC independently. He should be brought in on deputation from the GOM. We are proposing these posts to maintain the continuity in the organisation to take care of necessary government-related compliance which will be required while the NBFC is being setup and started operations. Rest of the recruitment and staffing pattern for NBFC operations, which is expected comprise of contractual staff, experts, consultants, should be left to the design and execution NBFC board..

Finances

A Share capital

The share capital of the corporations as on date, approved by the Government of Maharashtra is Rs. 1,000 crores. The ratio of share capital ratio of the state and central government is 51:49. However, the paid-up capital by the central government is Rs.180.93 crore, and the state Government of Maharashtra has so far paid Rs. 568.58 crore.

It is recommended that GOM should request GOI to pay its share of the share capital. However, if the decision to increase the share capital was not taken with concurrence of the GOI, then appropriate policy decision to alter the ratio of share capital should be taken, and in that case GOM should pay its remaining portion.

B NSFDC Loan

As mentioned earlier, the Corporation has been appointed as channel agency to implement NSFDC schemes in the state of Maharashtra since the year 1991-92. NSFDC provides soft loan which stands at 6% to 9% depending on the amount of loan.

The corporation has been heavily sanctioning the loan cases as discussed earlier and further as per the feedback given by the officials there is heavy demand from the beneficiaries and also from the other stake holders of the loan under NSFDC scheme.

Rs.142.92 crores have been received from Government of Maharashtra under NSFDC scheme from 1991-92 to 2019. The corporation received Rs 213.89 crore form the NSFDC so far. Out of this the corporation has repaid the total amount of Rs 204.39 crores. Out of this 45.82 repaid was from the recovery made from the beneficiaries, Rs 81.39 was repaid from the its own share capital and Rs 77.17 was paid from the interest which the corporation earns form its bank deposits.

The Government of Maharashtra has to give guarantee for all credit extended by the NSFDC/NSFKDC. Periodically, the state has to repay all outstanding credit to the corporation notwithstanding the percentage of recovery against these loans. Thus, for the NSFDC there is 100% recovery of its loan at the cost of the state. Our discussion with the officials revealed that such mechanism puts two-way pressure on the corporation. This includes from NSFDC to accept credit, which in turn is propelled by pressure from the beneficiaries and stake holders to get credit form NSFDC. This happens as a perception has evolved over a period of time that this loan is easy to get and that it need not be repaid. Even though NSFDC loan is a soft loan, the group recommends that Government of Maharashtra should implement its own schemes efficiently through the corporation, rather than borrowing form NSFDC. The corporation officials have briefed the group that many of the states are relying on their own funds.

However, in so far as the NSFKDC is concerned it was brought to our notice that the state has taken policy decisions to implement its schemes till 2025. Thus, this decision need not be altered.

C Loan Waiver Scheme

In the budget of the year 2009-10, the government announced the loan waiver scheme of Rs 170.32 crores. According to the audit report of 2012-13, the amount required for actual loan waiver was Rs.209.72 crores, but the amount received from the government for loan waiver was Rs. 170.32 crores with a gap of about Rs. 39.40 Crores.

It is recommended to clear this issue from the Audit perspective. The GOM should give the remaining amount Rs. 209.72 crores to the corporation.

D Assistance from SCP and SCA

It is seen that the corporation does not get funds for scheme implementation from the Special Component Plan of the State budget (other than the share capital). SCP reserves a particular percent of state's budget in consonance with the population percentage of SC population. SCP is then distributed to various departments of the state depending of their demands and approvals of the state. However, the corporation has never got annual budget form the SCP fund to implement any particular scheme. In fact, as per the feedback given by the officials, the corporation proposed various schemes and asked money from the state SCP, but such proposals have not been accepted so far. The study group as stated in the earlier chapters have recommended various schemes and proposed that funds for such schemes should be given from SCP. This will ensure steady flow of funds and will prompt the corporation to evolve new schemes over and above what they can manage from their share capital. The corporation should be looked at as a mainframe agency of the state to reach out to the SC beneficiaries for their welfare through thrust on Entrepreneurship development.

Similarly, the corporation should get resources from SCA now termed as PM-AJAY. The corporation should be taken into consideration while make annual plan for PM-AJAY. Further **1% management grant is specifically available for the state corporations as per its guidelines.** Thus, this amount be made available to the corporation (on proportionate sharing with the other corporations) .

E Credit Linked Guarantee, Credit Guarantee Fund[42]

Subsequent to the Central Budget announcements during the year 2013-14 to set up various credit guarantee funds, a common trustee company in the name and style of National Credit Guarantee Trustee Company Ltd (NCGTC) was set up by the Department of Financial Services, Ministry of Finance, Government of India to, inter alia, to act as a common trustee company to manage and operate various credit guarantee trust funds.

[42] See https://www.ncgtc.in/en/about-us/background

NCGTC was incorporated under the Indian Companies Act, 1956 on March 28, 2014 with a paid-up capital of Rs.10 crore, with its registered office at Swavalamban Bhavan, C-11, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

The following Credit Guarantee Trust Funds are under the trusteeship management of NCGTC:

1. Credit Guarantee Fund for Skill Development (CGFSD):

- Guarantees for Skill Development Loans by the member banks of IBA up to ₹ 1.5 lakh extended by lending institutions to eligible borrowers without collateral or third-party guarantee.

2. Credit Guarantee Fund for Education Loans (CGFEL):

- Guarantees for Education Loans by the member banks of IBA up to ₹ 7.5 lakh extended by lending institutions to eligible borrowers without collateral or third-party guarantee.

3. Credit Guarantee Fund for Factoring (CGFF):

- Guarantees for domestic factored debts of MSMEs.

4. Credit Guarantee Fund for Micro Units (CGFMU):

- Guarantees for loans up to the specified limit (currently ₹10 Lakh) sanctioned by Banks / NBFCs / MFIs / other financial intermediaries engaged in providing credit facilities to eligible micro units. Further, Overdraft loan amount of ₹10,000 sanctioned under PMJDY accounts shall also be eligible to be covered under Credit guarantee Fund.

5. Credit Guarantee Fund for Stand-Up India (CGFSI):

- Guarantees for credit facilities of over ₹10 lakh & up to ₹100 lakh sanctioned by the eligible lending institutions, under the Stand-Up India Scheme (SC/ST/Women for setting up Greenfield enterprises).

6. Emergency Credit Line Guarantee Scheme (ECLGS):

- Launched as a special scheme to enable liquidity support to businesses adversely impacted by lockdown due to COVID 19 pandemic. Provides for 100 % guarantee coverage to Banks & NBFC's on credit extended to Business Enterprises/MSMEs on their loan outstanding as on February 29, 2020, subject to defined criteria, to meet their additional term loan/additional working capital requirements.

7. Loan Guarantee Scheme for Covid Affected Sectors (LGSCAS):

- To provide guarantee coverage for the funding provided by Scheduled Commercial Banks to eligible projects in the healthcare sector in non-metropolitan areas for setting up of or modernising /expanding (i) hospitals/dispensaries/clinics/medical colleges/pathology labs/diagnostic centres; (ii) facilities for manufacturing of vaccines/oxygen/ventilators/priority medical devices; (iii) public healthcare facilities. The scheme shall provide guarantee cover to both brownfield projects and greenfield projects, subject to a maximum loan of ₹100 crore per project. The guarantee cover provided by NCGTC would be 50% (75% in case of projects coming up in aspirational districts) in case of brownfield projects and 75% in case of greenfield projects.

8. Credit Guarantee Scheme for MFIs:

- To provide guarantee coverage to Scheduled Commercial Banks and AIFIs for the funding provided by them to NBFC-MFIs or MFIs for on lending to eligible small borrowers.

9. Loan Guarantee Scheme for the Covid affected Tourism Service Sector (LGSCATSS):

- To provide guarantee coverage for loans provided by Scheduled Commercial Banks to registered Tourist Guides (recognized/ approved by M/o Tourism and State Govts/ UT Administrations) and Travel & Tourism Stakeholders recognized/ approved by the Ministry of Tourism, Govt. of India, to discharge liabilities and restart their business affected due to Covid -19 pandemic.

10. Credit Guarantee Scheme for Startups (CGSS) :

The objective of CGSS is to provide guarantee up to a specified limit, against credit instruments, extended by Member Institutions (MIs) to finance eligible Startups. This scheme would help provide the much-needed collateral free debt funding to eligible Startups.

Considering that there is Credit Guarantee Fund for Stand Up India (CGFSI), it is **recommended that Government of Maharashtra creates a similar fund at the state level for the beneficiaries of the corporation.** This would remove the hurdle of collaterals which is being faced by the beneficiaries in the state. However, this being a special and complex financial instrument, the modalities should be first studied by the expert committee at the Government level and accordingly GOM should take appropriate decision.

Chapter 6

Summary Recommendations

1. The corporation should adopt a 'life cycle approach' where each beneficiary is identified, trained, assisted, mentored, monitored and even partnered throughout project development cycle.
2. Identification of beneficiaries should be in a structured manner through Entrepreneurs Clinics
3. No beneficiary should avail funds or be funded in any manner from MPBCDCL unless required EDP training is imparted.
4. Network of Entrepreneurship Development Institutes should be created by the corporation for generic and skill specific trainings.
5. A robust digital platform- multifunctional online portal with PMU be developed to manage each beneficiary through their project lifecycle.
6. Existing Income criteria for selecting beneficiaries should be done away with. But, priority may be given to applicants having income less than Rs.2.50 lakh per year in cases of programs where funding is up to Rs.10 lakhs
7. Entrepreneurs Handholding Agencies (EHA) should be engaged in each district to handhold SC entrepreneurs. EHA shall form an integral part of the ED cycle from beneficiary identification, idea development, to prepare project proposals.
8. There should be Standing Committee of Experts (SCE) at district, division and state levels to recommend project proposal to the competent authorities.
9. There should be a District Sanctioning Committee headed by the District Collector with competency for project proposals up to Rs.10 Lakh; the Divisional Sanctioning Committee headed by the Divisional Commissioner with powers up to 25 lac; and the State Sanctioning Committee to be headed by the MD (MPBCDCL) with competency for project proposals above Rs.25 Lakh.
10. Third-party expertise-oriented appraisal and also the concept of post appraisal activities be incorporated in the functioning of MPBCDC.

11. Appraisal Agencies (AA)- District level (DAA); Divisional Level (DVAA) and State level (SAA) should be engaged by the corporation for appraisal of submitted projects.
12. The corporation must discharge its original role to 'finance', 'provide capital', 'grant loans', 'working capital' as envisaged in its Memorandum of Association (MOA).
13. At the State level, it is proposed that there should be three functional verticals.
14. First Vertical for Redefined/New Schemes including adopt/adapt/rename existing GoI schemes and developing New Schemes.
15. Second Vertical for GoI schemes to leverage, facilitate or converge all available and relevant GoI schemes.
16. Third Vertical where there should be an independent subsidiary of the corporation, which would be registered as an NBFC, for big ticket and innovative schemes. Project proposals of Rs.1 crore to Rs.15 crore to be dealt with by this NBFC. The NBFC, named MPSCFC, to be supported to the extent of Rs.100 crore by the state in each fiscal year.
17. The following subsidy principles be adopted: (i) total assistance to a beneficiary should be to the extent of 35% comprising 15% subsidy and 20% soft loan. (ii) The interest percentage should be equivalent to the amount charged to the beneficiary by NSFCDC.
18. If, in any GoI scheme, there is a provision of margin money (subsidy) to be provided by the state governments or any other schemes, this margin money should be offered by GOM from Special Component Plan (SCP). In this, subsidy component should be capped at 15%. Further, 20% amount should be margin money in the form of soft loan.
19. Where there is no explicit mention of margin money in GoI schemes, the GoM should offer 15% as subsidy following the 'additionality principle'.
20. This subsidy principle be kept constant across all new schemes to be framed by the corporation, which should be a policy decision of the State government.
21. Once a policy decision to this effect on the above subsidy points is taken by the Government of Maharashtra, all decisions about any new scheme formulations and designing the details of the schemes to be left to the corporation. At present each and every new scheme is to be approved by the state.

22. The state government should make budgetary provision each year to the corporation from SCP and the corporation should set target/evolve new schemes subject to fund availability.
23. Government of Maharashtra should rethink its strategy of borrowing from the central level NSFDC. It is recommended that the corporation should implement its own schemes efficiently, rather than borrowing loan with 100% guarantee of repayment, from the NSFDC. NSKFDC scheme implementation shall remain in operation till 2025.
24. Considering that there is Credit Guarantee Fund for Stand-Up India (CGFSI), GOM should create a similar fund at the state level for the beneficiaries of the Corporation.
25. It is recommended to align the current management structure to the three new verticals, with few additionalities and modifications of service conditions.
26. The Board Structure of 16 members is recommended with the Minister In charge of the department as the Ex officio Chairperson.
27. Finally, the Study Group has suggested several reformative changes in the working of the Corporation and particularly the establishment of the NBFC. As mentioned in Chapter 1, there are eight such corporations more or less doing the similar work of entrepreneurship development like the MPBCDCL. The Study Group thus recommends that the state government can expand the scope of the NBFC suggested in the New Schemes chapter of this report to function for the other corporations as well. Similarly, the principles of ED, appraisal and NBFC to be incorporated in the functioning of the other corporations as well.

ANNEXURES

ANNEXURE – 1

Order Constituting the Study Group

महात्मा फुले मागासवर्ग विकास महामंडळ मर्यादित
(महाराष्ट्र शासनाचा उपक्रम)
CIN NO. U74999MH1978SGC020479

महात्मा फुले मागासवर्ग विकास महामंडळाची रचना, कार्यपध्दती आणि योजनांचा आढावा घेण्यासाठी अभ्यासगट स्थापन करण्याबाबत

महात्मा फुले मागासवर्ग विकास महामंडळ मर्या.
प्रशासन विभाग
ज्ञापन क्र. मव्य/प्रशा/अभ्यासगट/८०९/२०२२
दिनांक : २८ जुलै, २०२२

वाचा : महात्मा फुले मागासवर्ग विकास महामंडळाच्या संचालक मंडळाच्या दि.१५/०७/२०२२ रोजीच्या बैठकीतील विषयसूची क्र.१९८.१२ व ठराव क्र. १२/ १९८/२०२२-२३

प्रस्तावना :-

१. महाराष्ट्र राज्यातील मागासवर्गीय घटकांचा सर्वांगीण विकास करण्याच्या उद्देशाने महाराष्ट्र शासनाच्या सामाजिक न्याय व विशेष सहाय्य विभागांतर्गत महात्मा फुले मागासवर्ग विकास महामंडळ मर्यादित, मुंबई या महामंडळाची भारतीय कंपनी कायदा, १९५६ अंतर्गत दिनांक १० जुलै १९७८ रोजी स्थापना करण्यात आली आहे. या महामंडळामार्फत अनुसूचित जाती प्रवर्गातील शहरी व ग्रामीण लोकसंख्येचा आर्थिक व सामाजिक विकास करण्यासाठी राज्य तसेच केंद्र शासनाच्या विविध प्रकारच्या योजनांची अंमलबजावणी करण्यात येते.

महात्मा फुले मागासवर्ग विकास महामंडळ मागील सुमारे ४४ वर्षांपासून अनुसूचित जातीच्या सामाजिक, शैक्षणिक व आर्थिक विकासासाठी कार्यरत आहे. या कालावधीत महामंडळामार्फत केंद्र तसेच राज्य शासनाच्या निधीतून वैयक्तिक तसेच सामूहिक स्वरूपाच्या विविध योजना राबविण्यात आल्या आहेत. सन १९९१ नंतर आपल्या देशाने उदात्तीकरण, खाजगीकरण आणि जागतिकीकरणाचे धोरण स्विकारल्यानंतर मुक्त अर्थव्यवस्थेचा जागतिक पातळीवर झालेल्या बदलाचा परिणाम आपल्या आर्थिक व सामाजिक व्यवस्थेवर झालेला आहे. त्यामुळे महामंडळामार्फत राबविण्यात येणा-या योजनांमध्ये देखील परिस्थितीनुरूप बदल अपेक्षित आहेत.

निर्णय :-

१. उपरोक्त सर्व बाबीचा विचार करून महात्मा फुले मागासवर्ग विकास महामंडळाची रचना व कार्यपध्दती, महामंडळाकडील सदयस्थितीत असलेल्या विविध योजनांचा लाभ कितपर्यंत पोहोचला आणि अनुसूचित जातीच्या सामाजिक व आर्थिक स्थितीवर झालेला परिणाम तसेच आतापर्यंत राबविण्यात आलेल्या विविध योजनांची फलश्रुती या बाबींचा अभ्यास करून कालानुरूप महामंडळाची रचना व कार्यपध्दती आणि योजना यांचा आढावा घेवून सुधारणा सुचविण्यासाठी समिती गठीत करण्याच्या महामंडळाच्या दि.१५/७/२०२२ रोजीच्या संचालक मंडळाच्या बैठकीत मंजूर करण्यांत आलेल्या ठराव क्र. १२/१९८/२०२२-२३ नुसार याप्रकरणी खालीलप्रमाणे अभ्यासगट स्थापन करण्यात येत आहे:-

अभ्यासगटात खालील सदस्य राहतील :-

अ.क्र.	नाव	पदनाम
१	डॉ. संजय चहांदे, भा.प्र.से. (से.नि.) माजी अपर मुख्य सचिव, महाराष्ट्र शासन	अध्यक्ष
२	डॉ. उमाकांत दांगट, भा.प्र.से. (से.नि.) माजी विभागीय आयुक्त,औरंगाबाद	सदस्य
३	श्री. विजय कुमार काळम-पाटील, भा.प्र.से. (से.नि.) संचालक (संचलन), महाप्रित, मुंबई	सदस्य
४	श्री.केशव कांबळे, सहमुख्य कार्यकारी अधिकारी (से.नि.), खादी ग्रामोदयोग आयोग	सदस्य
५	श्री.प्रशांत गेडाम, महाव्यवस्थापक (प्रशासन) म.फु.मा.वि. महामंडळ मर्या. मुंबई	सदस्य
६	श्री.राम राठोड, प्रादेशिक व्यवस्थापक, म.फु.मा.वि. महामंडळ मर्या. पुणे	सदस्य
७	श्री. गणेश चौधरी, मुख्य महाव्यवस्थापक, महाप्रित, मुंबई	सदस्य
८	श्री.दत्तराज शिंदे, उपमहाव्यवस्थापक (प्रशासन) म.फु.मा.वि. महामंडळ मर्या. मुंबई	सदस्य सचिव

२. उपरोक्त अभ्यासगटाची कार्यकक्षा पुढीलप्रमाणे राहिल :-

१) महात्मा फुले मागासवर्ग विकास महामंडळाची संरचना व कार्यपध्दती याचा आढावा घेवून महामंडळाचे कामकाज अधिक कार्यक्षम व पारदर्शक पध्दतीने करण्यासाठी सुधारणा सुचविणे.

२) महात्मा फुले मागासवर्ग विकास महामंडळाचे उद्दिष्ट विचारात घेवून महामंडळाचे स्थापनेपासून झालेल्या कामकाजाचा विशेषतः मागील दहा वर्षात राबविण्यात आलेल्या कल्याणकारी योजनांचा लाभार्थ्यांच्या सामाजिक, शैक्षणिक, आर्थिक स्थितीवर झालेल्या परिणामाचा अभ्यास करणे,

c|15 c19

३) महात्मा फुले मागासवर्ग विकास महामंडळाप्रमाणे काही निवडक राज्यात कार्यरत असलेल्या महामंडळाच्या रचना व कार्यपद्धतीचा तसेच कल्याणकारी योजनांचा अभ्यास करून त्यापैकी महाराष्ट्र राज्यासाठी सुयोग्य असलेल्या योजनांची शिफारस करणे.

४) महात्मा फुले मागासवर्ग विकास महामंडळासाठी सध्यस्थितीत असलेल्या अधिकारी - कर्मचारी आकृतीबंधाचा आढावा घेवून महामंडळाचे कामकाज अधिक गतिमान करून कल्याणकारी योजनांची कार्यक्षमपणे अंमलबजावणी करण्यासाठी काळानुरूप तांत्रिक व व्यवस्थापन कौशल्य असलेला अधिकारी/ कर्मचारी वर्ग समाविष्ठ करून सुधारित आकृतीबंधाची शिफारस करणे.

५) महाराष्ट्र राज्याची व्याप्ती विचारात घेता लाभार्थ्यांना योजनेचा लाभ लवकरात लवकर देणे शक्य व्हावे याकरीता महामंडळाच्या प्रशासकीय व आर्थिक अधिकारांचे विकेंद्रीकरण करण्याबाबत आवश्यकतेनुसार शिफारस करणे.

६) ग्रामीण व दुर्गम भागांतील वंचित घटकांपर्यंत शासनाच्या योजनांचा लाभ परिणामकारकरित्या अंमलबजावणीसाठी विशेष उपाय योजना सुचविणे.

७) अनुसूचित जाती प्रवर्गातील विशेषतः १८ ते ३५ वर्ष वयोगटांतील शिक्षीत व महत्त्वाकांक्षी युवक तसेच महिला यांच्या आकांक्षापुर्तीसाठी व गरजेनुसार योजना सुचविणे.

३. सदर अभ्यासगटाच्या कामकाजासाठी आवश्यकतेनुसार विविध क्षेत्रातील तज्ञ आणि अनुभवी व्यक्तींना बैठकीसाठी विशेष निमंत्रित म्हणून बोलविण्याचे अधिकार अभ्यासगटाच्या अध्यक्ष यांना राहतील.

४. अभ्यासगटाने वर नमूद कार्यकक्षेप्रमाणे अभ्यास करुन त्यांचा अहवाल महामंडळाचे व्यवस्थापकीय संचालक यांच्याकडे तीन महिन्यात सादर करावा.

५. अभ्यासगटाच्या कामकाजासाठी होणारा खर्च तसेच अभ्यासगटात समाविष्ट असलेल्या तथा महामंडळाच्या सेवेत नसलेल्या अधिकाऱ्यांना प्रवासभत्ता / दैनिक भत्ता महामंडळाच्या नियमानुसार अनुज्ञेय राहील व हा सर्व खर्च महामंडळाचे प्रशासन, लेखाशिर्षखालील मंजूर अनुदानातून भागविण्यात येईल.

मा.व्य.सं.यांच्या मान्यतेने

(प्रशांत गेडाम)
महाव्यवस्थापक (प्रशा)

प्रति:-

माहितीकरिता सादर.

१) मा.सचिव, सामाजिक न्याय व विशेष सहाय्य विभाग, मंत्रालय, मुंबई - ३२

२) सर्व अभ्यासगट सदस्य

ANNEXURE – 2

Loan Recovery Position of the Corporation

Scheme wise recovery report of the corporation from inception to December 2022

SN	Scheme Name	Funds received	No.of beneficiaries	Amt. of Loan disbursed	Amount of Loan waived up to 31.03.2008			Recovery amount received from beneficiaries		Outstanding amount (सन 1978-79 ते 31.08.2017 अखेर)		% of Recovery
					Principle	Interest	Total					
1	Margin Money	63264.32	85768	14622.75	31.81	12.07	**43.88**	Prin.	2284.77	Prin.	7701.05	27.25
								Int.	453.93	Int.	2348.67	
								Total	**2738.70**	**Total**	**10049.72**	
2	NSFDC	30486.88	30046	29043.02	40.85	19.91	**60.76**	Prin.	2115.29	Prin.	7510.57	25.98
								Int.	951.44	Int.	4293.74	
								Total	**3066.73**	**Total**	**11804.31**	
3	NSKFDC	199.11.21	14561	17678.96	9.29	2.33	**11.62**	Prin.	1086.87	Prin.	10904.73	11.02
								Int.	730.89	Int.	5591.64	
								Total	**1817.76**	**Total**	**16496.37**	
4	NSS	3148.49	24317	3148.49	0.00	0.00	0.00	Prin.	70.24	Prin.	46.67	118.59
								Int.	13.31	Int.	23.78	
								Total	**83.55**	**Total**	**70.45**	
5		1212.65	1581	1212.65	0.00	0.00	0.00	Prin.	234.37	Prin.	964.91	28.49
								Int.	62.03	Int.	75.43	

SN	Scheme Name	Funds received	No.of beneficiaries	Amt. of Loan disbursed	Amount of Loan waived up to 31.03.2008			Recovery amount received from beneficiaries		Outstanding amount (सन 1978-79 ते 31.08.2017 अखेर)		% of Recovery
					Principle	Interest	Total					
	Direct Finance Scheme							Total	296.40	Total	1040.34	
	Total	**118023.55**	**156273.00**	**65705.87**	**81.95**	**34.31**	**116.26**	Prin.	**5791.54**	Prin.	**27127.93**	20.28
								Int.	**2211.60**	Int.	**12333.26**	
								Total	**8003.14**	**Total**	**39461.19**	

ANNEXURE – 3

List of Entrepreneurship Development Institutions in India suitable for MPBCDCL's target beneficiary group:

SN.	Institute Name	Key Features
National Level Entrepreneurship Development Institutions		
1.	Maharashtra State Centre for Entrepreneurship Development (MCED)	1988, Aurangabad. Aims to create and develop the entrepreneurship spirit, globally. Regional offices at Mumbai, Pune, Kolhapur, Amravati, Nagpur, Aurangabad (HQ) and Nasik. One project officer at each District Industries Centre (DIC).
2.	Entrepreneurship Development Institute of India (EDII)	Ahmedabad. Aims to develop entrepreneurship in small & rural areas thereby leading to the industrial development in India. Regional offices at Bhubaneshwar, Guwahati, Bengaluru, Lucknow, Delhi-NCR, Vapi, and Bhopal.
3.	National Institute of Entrepreneurship and Small Business Development (NIESBUD)	1983, apex body, GoI. HQ at Noida. Role as the Secretariat of the National Entrepreneurship Board. NIESBUD organizes various national and international programs. Focuses on standardizing selection and training process of budding entrepreneurs, thus guiding them in entrepreneurship-related activities.
4.	National Institute for Micro, Small and Medium Enterprises (NiMSME)	Hyderabad. Primarily to train the trainers (ToT) as well as development agencies. Aims to promote micro and small enterprises and advance their levels to medium enterprises. Conducts activities which demonstrate how to make a successful enterprise and train to compete with leading entrepreneurs.

SN.	Institute Name	Key Features
5.	Noida and Indian Institute of Entrepreneurship (IIE)	1993. HQ at Guwahati. Autonomous organization. Focuses on entrepreneurial training, research, and consultancy, majorly in small and micro-enterprises. Stakeholders include North East Council (NEC), Governments of Assam, Arunachal Pradesh & Nagaland and SIDBI. ISO 9001:2015 Certified Organization.
State Level Entrepreneurship Development Institutions		
1.	Centre of Entrepreneurship Development (CED)	Himachal Pradesh
2.	Institute of Entrepreneurship Development (IED)	Uttar Pradesh
3.	Entrepreneurship and Management Development (EMDI)	Rajasthan
4.	Centre for Entrepreneurship Development (CED)	Gujarat
5.	Centre for Entrepreneurship Development (CED)	Madhya Pradesh
6.	Institute of Entrepreneurship Development (IED)	Orissa

SN.	Institute Name	Key Features
7.	Centre for Entrepreneurship Development (CED)	Tamil Nadu
8.	Centre of Entrepreneurship Development (CED)	Andhra Pradesh
9.	Institute of Entrepreneurship Development (IED)	Bihar
10.	Entrepreneurship Development Institute (EDI)	Jammu and Kashmir
11.	Small Industries Service Institute (SISI)	Ahmedabad
12.	National Bank for Agriculture and Rural Development (NABARD)	Mumbai, training SHGs mainly
13.	Council for Advancement of Peoples Action and Rural Technology (CAPART)	1986, Autonomous, MoRD, mainly assists NGOs & governmental agencies, entrepreneurship development through one of its programs: Rural Industrialization, Income Generation and Market Access (RIIMA)
14.	District Industries Centre (DIC)	1978 onwards, central sector scheme, objective to promote small village & cottage industries in a particular

SN.	Institute Name	Key Features
		area, provide necessary services and support to facilitate entrepreneurs to set up MSMEs.
15.	YASHADA & all state government regional and district training institutes with whom MOUs will be signed with MPBCDCL.	
Other Indicative Training Institutions for MPBCDCL to consider		
16	Maharashtra Skill Development society (district level center)	
17	Krishi Vidyan Kendra in Maharashtra	
18	RAMETI (Regional Agriculture Management Extension Training Institute) in Maharashtra	
19	MITCON/ MCED or any other reputed institution recognized by the government	
20	National Institute of Post-Harvest Technology (NIPHT) Talegaon Dabhade Pune	
21	Training institutes of the NABARD	
22	R-SETI- Rural Self Employment Training Institutes of the lead banks in association with the Department of Rural Development and Panchayati Raj	
23	Training institutes of the KVIC/KVIB in Maharashtra	

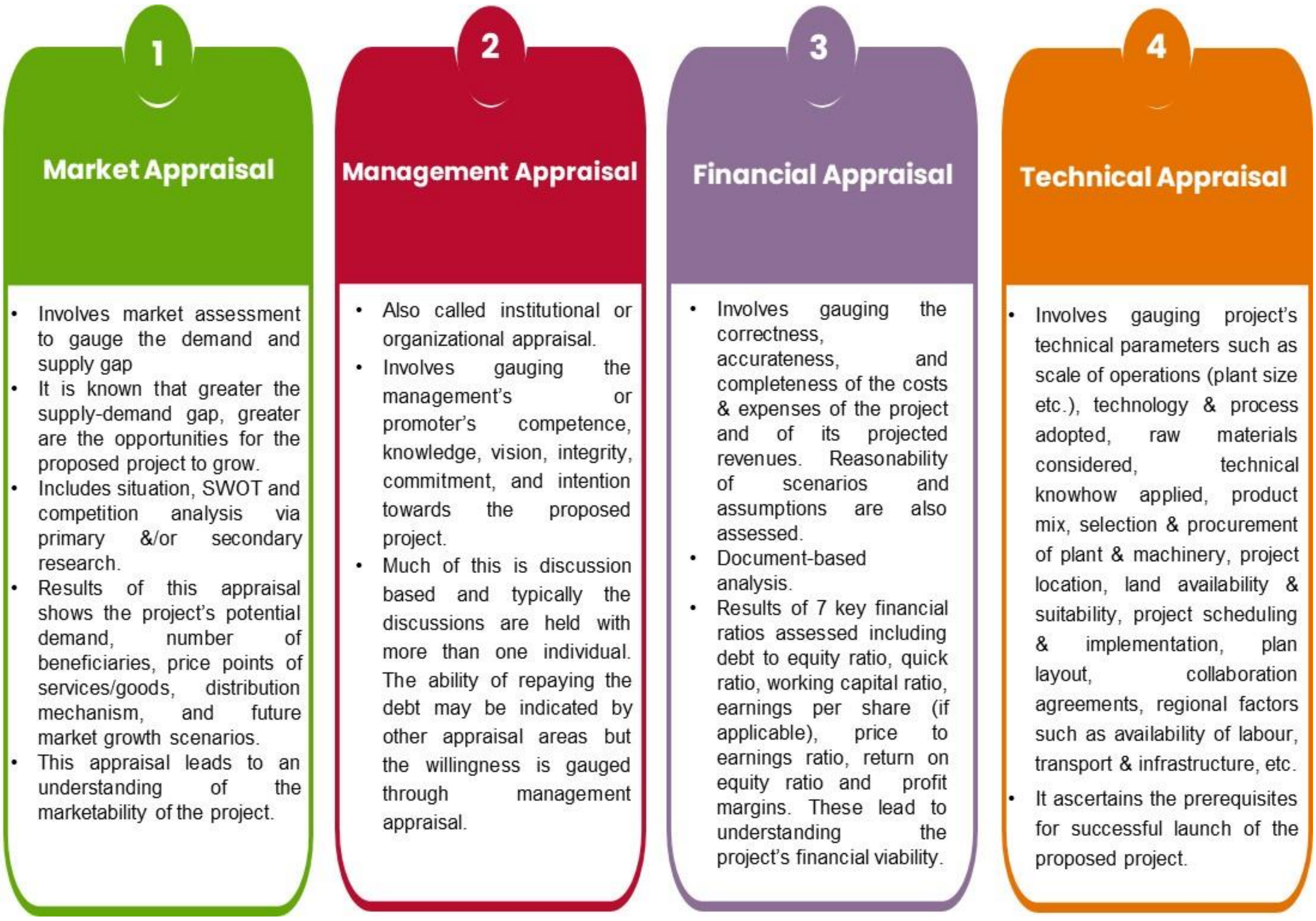
Main sources of above table from No.1 to No.15:

1. https://ncfeindia.org/entrepreneurship-development-institutions-in-india/
2. https://www.preservearticles.com/business/list-of-important-institutions-that-are-helping-indian-entrepreneurs-by-providing-financial-and-other-supports/2035
3. https://ngosindia.com/capart-council-for-advancement-of-peoples-action-and-rural-technology/

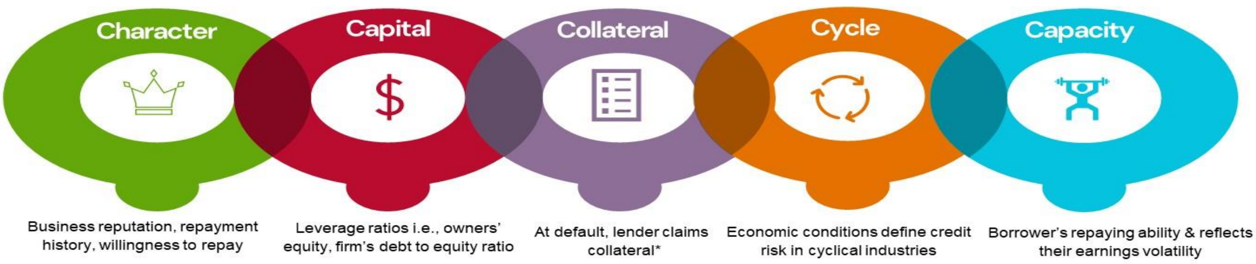
ANNEXURE – 4

Project Appraisal – Types and Five key Points to Consider

Main Types of Project appraisal[43]



Five Key Points to Consider During Project appraisal[44]



-

[43] Source: Project appraisal An Overview', DVS Research Foundation, 15 January 2020. Cited in https://www.slideshare.net/DVSResearchFoundatio/credit-appraisal-an-overview
[44] Source: 'Project appraisal An Overview', DVS Research Foundation, 15 January 2020. Cited in https://www.slideshare.net/DVSResearchFoundatio/credit-appraisal-an-overview

ANNEXURE – 5

Reference to Stand-Up India Scheme, PMFME, PMEGP and CMEGP

Stand-Up India

Details	Benefits	Eligibility
A scheme by Ministry of Finance, Government of India, to finance SC/ST and/or women entrepreneurs by facilitating bank loans to set up a <u>greenfield</u> project enterprise in manufacturing services, trading sector etc. The scheme's objective is to facilitate bank loans between Rs. 10 lakh and Rs. 1 Crore to at least one SC or ST borrower and at least one-woman borrower per bank branch to set up the greenfield enterprise. If it's a non-individual enterprise, at least 51% of the shareholding and controlling stake should be held by either an SC/ST or woman entrepreneur.	1. Facilitation of composite loan (inclusive of term loan and working capital) between ₹10 Lakh and ₹100 Lakh/ ₹1 cr. 2. Rupay debit card to be issued for the borrower's convenience. 3. SIDBI's portal lends handholding support through a network of agencies engaged in training, skill development, mentoring, project report preparation, application filling, work shed / utility support services, subsidy schemes etc.	1. Applicant must be an entrepreneur. 2. If the applicant is a male, he must be from SC / ST category. 3. Applicant's age must be at least 18 years. 4. Applicant must not be in default to any bank/ financial institution.*

*In case of an applicant to the MPBCDCL, a relaxation shall be made to receive applications from defaulters of MPBCDCL as well, but with a defined sunset clause. This would imply that defaulters would not be turned away from accessing fresh funding, however the rules would be clearer and stricter with a certain treatment of defaulters through a criminal procedure and also defined scheme with agency and rights in case of new funding. For example: special efforts would be made to recover existing loans once the new funded projects become successful. Source and more details at: **https://www.myscheme.gov.in/schemes/sui**

Pradhan Mantri Formalization of Micro Food Processing Enterprises Scheme (PM FME)

Details	Benefits	Eligibility
All India Centrally Sponsored Scheme with an outlay of Rs. 10,000 crores for coverage of 2,00,000 enterprises over 5 years from 2020-21 to 2024-25 being implemented by Ministry of Food Processing Industries (MOFPI).	1. 35% of the project cost with a maximum ceiling of Rs 10 lacs for an individual beneficiary. 2. For SHG members involved in food processing, seed capital of Rs. 40,000/- per member will be distributed as working capital and for the purchase of small tools. 3. Specific allocation made for SC/ST and the North-Eastern region (NER). 4. Support from a resource person at district level (DRP) to avail scheme benefits, DPR preparation, taking a bank loan, support for obtaining necessary registration and licenses including food standards of FSSAI, Udyam registration, GST etc 5. Assistance of Rs 50,000/- per case provided to FPOs/ SHGs/ Cooperative for DPR preparation on all successful sanction of loan application. 6. State level technical institutions provide online/offline training.	1. For existing micro food processing enterprises, Farmer producer organizations (FPO), SHGs, & Producers Cooperatives. New units can also be supported but only for ODOP products. 2. Applicant should be willing to contribute 10% of the project cost. 3. the applicant should have

Details	Benefits	Eligibility
	7. Marketing & branding support for groups of FPOs / SHGs/ Cooperatives with 'One District One Product" (ODOP) approach. 8. Beneficiary is entitled to avail of other Government schemes with the PMFME Scheme.	their existing infrastructure/ work shed.

Source and more details at: **https://pmfme.mofpi.gov.in/pmfme/#/Home-Page and blob:https://pmfme.mofpi.gov.in/9188ddb4-84ce-462e-80b9-c2fc612987a8**

Prime Minister's Employment Generation Program (PMEGP)

Details	Benefits	Eligibility
Implemented by Khadi and Village Industries Commission (KVIC) functioning as the nodal agency at the national level. At the state level, the scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks. In such cases KVIC routes government subsidy through designated banks for eventual	Maximum cost of the project/unit admissible in manufacturing sector is ₹25 lakhs and in the business / service sector, it is ₹ 10 lakhs. Categories of Beneficiary's Rate of subsidy under PMEGP (of project cost). Area (location of project /unit) General category 15% (Urban), 25% (Rural), Special 25%(Urban), 35%	Any individual, above 18 years of age. At least VIII standard pass for projects costing above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakhs in the business / service sector. Only new projects are considered for sanction. SHGs including those belonging to Below Poverty Line (BPL) included if they have not availed benefits under any other scheme. Institutions registered under Societies Registration Act,1860; Production

Details	Benefits	Eligibility
disbursal to the beneficiaries / entrepreneurs directly into their bank accounts.	(Rural) (Including SC/ ST/ OBC/ Minorities/ Women, Ex-servicemen, physically handicapped, NER, Hill and Border areas, etc.) Balance amount of the total project cost provided by the banks in the form of term loan and working capital.	Co-operative Societies, and Charitable Trusts. Existing Units (under PMRY, REGP or any other GoI scheme State Government schemes) and units that have already availed Government Subsidy under any other GoI scheme or State Government are NOT eligible.

Source and more details at: **https://msme.gov.in/1-prime-ministers-employment-generation-programme-pmegp**

Chief Minister Employment Generation Programme (CMEGP)

States in India run CMEGP and mirror the PMEGP in many ways. In Maharashtra, it is implemented by the Directorate of Industries. The GoM's CMEGP Scheme 2023 for MSMEs aims to create 10 lakh jobs in next 5 years and aims that new entrepreneurs to get funding for project cost up to Rs.50 lakh in manufacturing & up to Rs.10 lakh in the service sector. Beneficiaries include individual entrepreneurs, Institutions, co-operative societies, SHGs and Trusts with a 30% reservation for women entrepreneurs.

Source and more details at: **https://sarkariyojana.com/maharashtra-cm-employment-generation-programme-cmegp-msme/ and https://maha-cmegp.gov.in/homepage**

ANNEXURE – 6

Representative list of GOI schemes for implementation of MPBCDCL

1. Stand-Up India Scheme for financing SC/ST and/or Women Entrepreneurs. (Ministry of Finance, Government of India)
2. Creation of Infrastructure for agro-processing cluster (Ministry of Food Processing Industries, Government of India)
3. Creation/Expansion of Food Processing & Preservation Capacities (CFFPPC) (Ministry of Food Processing Industries, Government of India)
4. Integrated Cold Chain and Value Addition Infrastructure (COLD CHAIN) (Ministry of Food Processing Industries, Government of India)
5. Setting up and Upgradation of Food Testing Laboratories (Ministry of Food Processing Industries, Government of India)
6. Operation Greens - Long Term Interventions (OG) (Ministry of Food Processing Industries, Government of India)
7. Special credit linked capital subsidy scheme for MSMEs (SCLCSS) (Ministry of Micro, Small and Medium Enterprises (MSME), Government of India)
8. Prime minister Employment Generation Program (PMEGP) (Ministry of MSME, Government of India)
9. Pradhan Mantri Formalization of Micro food processing enterprises Scheme (PMFME) (Ministry of Food Processing Industries, Government of India)
10. National Program Dairy Development Board (Ministry of Fisheries, Animal Husbandry and Dairying, Government of India)
11. Dairy processing and Infrastructure Development Fund (Ministry of Fisheries, Animal Husbandry and Dairying, Government of India)
12. Supporting Dairy Co-operatives and Farmer Producer Organizations (Ministry of Fisheries, Animal Husbandry and Dairying, Government of India)
13. Fisheries and Aquaculture Infrastructure Development Fund (FIDF) (Ministry of Fisheries, Animal Husbandry and Dairying, Government of India)
14. Scheme for Establishment of Agri-Clinics and Agri-Business Centres (ACABC) (Ministry of Agriculture and Farmers Welfare, Government of India)
15. Capital Investment Subsidy Scheme for Vegetable and Fruit Market Waste compost, and Biofertilizers – Biopesticides Production Units (Ministry of Agriculture and Farmers Welfare, Government of India).

ANNEXURE – 7

List of lending institutions shortlisted to be partners of MUDRA - MLIs

S.No.	**Bank Name**
	PUBLIC SECTOR BANKS
1	State Bank of India
2	State Bank of Bikaner & Jaipur
3	State Bank of Travancore
4	Bank of Baroda
5	Bank of India
6	Bank of Maharastra
7	Canara Bank
8	Corporation Bank
9	Dena Bank
10	IDBI Bank Ltd.
11	Indian Bank
12	Oriental Bank of Commerce
13	Punjab National Bank
14	Syndicate Bank
15	UCO Bank
16	Union Bank of India
17	Vijaya Bank
18	Allahabad Bank
19	Andhra Bank
20	Bhartiya Mahila Bank
21	Central Bank of India
22	Indian Overseas Bank
23	Punjab & Sind Bank
24	State Bank of Hyderabad.
25	State Bank of Mysore
26	State Bank of Patiala
27	United Bank of India
	Private Sector Banks
1	Axis Bank Ltd.
2	Catholic Syrian Bank Ltd.
3	City Union Bank Ltd.
4	DCB Bank Ltd.
5	Federal Bank Ltd.
6	HDFC Bank Ltd.
7	ICICI Bank Ltd.
8	Indus Ind Bank Ltd.
9	Jammu & Kashmir Bank Ltd.
10	Karnataka Bank Ltd.
11	Karur Vysya Bank Ltd.
12	Kotak Mahindra Bank Ltd.
13	Nainital Bank Ltd.
14	South Indian Bank
15	Tamilnad Mercantile Bank Ltd.
16	The Ratnakar Bank Ltd.
17	Yes Bank Ltd.
18	IDFC Bank Ltd.

S.No.	REGIONAL RURAL BANKS (RRBs)
1	Andhra Pragathi Grameena Bank
2	Chaitanya Godavari Grameena Bank
3	Deccan Grameena Bank
4	Saptagiri Grameena Bank
5	Bihar Gramin Bank
6	Madhya Bihar Gramin Bank
7	Uttar Bihar Gramin Bank
8	Baroda Gujarat Gramin Bank
9	Dena Gujarat Gramin Bank
10	Saurashtra Gramin Bank
11	Kaveri Grameena Bank
12	Karnataka Vikas Grameena Bank
13	Pragathi Krishna Gramin Bank
14	Kerala Gramin Bank.
15	Maharashtra Gramin Bank
16	Meghalaya Rural Bank
17	Puduvai Bharathiar Grama Bank
18	Malwa Gramin Bank
19	Punjab Gramin Bank
20	Sutlej Gramin Bank
21	Marudhara Gramin Bank
22	Pallavan Grama Bank.
23	Pandyan Grama Bank
24	Tripura Gramin Bank
25	Baroda Uttar Pradesh Gramin Bank
26	Prathama Gramin Bank
27	Sarva UP Gramin Bank
28	Narmada Jhabua Gramin Bank
29	Sarva Haryana Gramin Bank
30	Kaveri Grameena Bank
31	Baroda Rajasthan Kshetriya Gramin Bank
	Co-operative Banks
32	Gujarat State Co-op Bank Ltd
33	Mehsana Urban Co-op Bank
34	Rajkot Nagarik Sahhakari Bank
35	Kalupur Commercial Co-op Bank
36	Bassein Catholic Co-op Bank
37	TJSB Sahakari Bank Ltd
38	Jalgaon Janata Sahakari Bank Ltd
39	Nutan Nagrik Sahakari Bank Ltd
40	Ahmedabad Mercantile Co-op Bank ltd
41	Surat People Co-op Bank ltd
42	Dombivali Nagari Sahakari Bank Ltd
43	Citizen Credit Co-op Bank Ltd
44	Tamil Nadu Apex State Co-op Bank Ltd

45	AP State Apex Co-op Bank Ltd.

	Micro Finance Institutions (MFIs)	
S.No.	**MFI-NBFC**	STATES
1	S V Creditline Pvt. Ltd.	New Delhi
2	Margdarshak Financial Services Ltd.	Uttar Pradesh
3	Madura Micro Finance Ltd.	Tamil Nadu
4	ESAF Micro Finance & Investments P. Ltd	Kerala
5	Fusion Micro Finance P. Ltd.	New Delhi
6	Ujjivan Financial Services P. Ltd	Karnataka
7	Future Financial Services Ltd.	Karnataka
8	SKS Microfinance Ltd.-	Telangana
9	Utkarsh Micro Finance P. Ltd	Uttar Pradesh
10	Equitas Micro Finance Ltd	Tamil Nadu
11	Sonata Finance Pvt. Ltd	Uttar Pradesh
12	Saija Finance Private Ltd	Bihar
13	Arth Micro Finance Pvt. Ltd.	Rajasthan
14	Shikhar Microfinance Pvt. Ltd.	New Delhi
15	Navachetana Microfin Services Pvt. Ltd	Karnataka
16	Samasta Microfinance Ltd.	Bangalore
17	Satin Credit Care Network Ltd-	New Delhi
18	Sahyog Microfinance Ltd.	Madhya Pradesh
19	Arohan Financial Services P. Ltd	West Bengal
20	Suryodaya Microfinance Ltd	Maharashtra
21	Belstar Investment & Finance P. Ltd	Tamil Nadu
22	Jagaran Microfin P. Ltd	West Bengal
23	Digamber Capfin Ltd	Rajasthan
24	Midland Microfin Ltd.	Punjab
25	RGVN (North East) Microfinance Ltd.	Guwahati Assam
26	Grameen Development & Finance P. Ltd.	Assam
27	Hindustan Microfinance Private Limited	Maharashtra
28	Namra Finance Ltd	Gujarat
29	Muthoot Fincorp Limited	Kerala
30	Sambandh Finserve Pvt Ltd	Bhuvaneshwar
31	IDF Financial Services Pvt Ltd	Bangalore
32	Nightingale Finvest Pvt Ltd	West Bengal
33	Asirvad Microfinance Private Limited	Chennai
34	Village Financial Services Pvt Limited	Kolkatta West Bengal
35	Janalakshmi Financial Services Pvt Ltd	Bangalore
36	YVU Financial Services Private Ltd	Guwahati
37	Disha Microfin Private Ltd	Ahmedabad
38	SMILE Microfinance Limited	Chennai
39	Light Micro Finance Ltd	Ahmedabad
40	Uttarayan Financial Services Pvt Ltd	Kolkatta West Bengal
41	Unacco Financial Services Private Limited	Guhawati, Assam
42	Varam Capital	Chennai
43	Vedika Credit Capital Ltd	Ranchi

44	MSM Microfinance Limited	Chennai
45	M Power Micro Finance Private Ltd	Vadodara Gujarat
46	Navachetana Microfin Services Pvt. Ltd.	Bangalore
47	Intrepid Finance and leasing Pvt. Ltd.	mumbaif
	MFIS	
1	Bhartiya Micro Credit **(Sec 8 Company)**	Lucknow
2	Sakhi Samudaya Kosh **(Sec 8 Company)**	Maharashtra
3	Cashpor Micro Credit **(Sec 8 Company)**	Lucknow
4	CDOT (**MFI Registered as a Society under Indian Societies Act**)	Bihar
5	Mahana Foundation (**MFI Registered as a Trust under Trust Act 1882)**	Orissa
6	IRCED (**MFI Registered as a Society and Trust)**	Maharashtra
7	NEED	Lucknow
8	Community Collective Society for Integrated Develpoment **(MFI Registered as a Society)**	New Delhi
9	Swayam Micro Services**(Sec 8 Company)**	Ahmedabad
10	Chanura Microfin Manipur	Manipur
11	Humana People to People India	New Delhi
12	Disha India Micro Credit **(Sec 25 Company)**	Saharanpur
13	Annapurna Mahila Multistate Co-op Credit Society**(Co-op Society and MFI)**	Pune
14	Prayas (Organisation for Sustainable Development) (**MFI Registered as a Society and Trust)**	Ahmedabad
15	Dhosa Chandaneshwar Bratyajana Samity (DCBS) (Society)	Kolkata
16	Seba Rahara (Society)	Kolkata
17	Belghoria Janakalyan Samity (Society)	Kolkata
18	Gram Bikash Kendra	Kolkata
19	Shakti Mahila Sangh Bahu Uddeshya Sahkari Maryadit (Society)	Jabalpur, MP
20	Mahasemam Trust (Society)	Madurai, Tamilnadu
21	Sampurna Training and Entrepreneurship Programme (STEP) **(Section 25 Company)**	Kolkata, West bengal
22	Life Foundation (MFI and Trust)	Kerala
23	Sanghmitra Rural Financial Services (Sec 8)	Mysore
24	Pahal Financial Services Pvt Ltd	Ahmedabad
25	Blaze trust(MFI registered as trust)	Coimbatore(Tamil Nadu)
26	Mahashakti Foundation (MFI Registered as a Trust under Trust Act 1882)	OdishaJ

S.No.	Mainline NBFCs
1	Reliance Capital Ltd.
2	Fullerton India Credit Co. Ltd.
3	Shriram Transport Finance Co. Ltd.
4	SREI Equipment Finance Ltd.
5	Magma Fincorp Ltd.
6	Religare Finvest Ltd.

7	Shriram City Union Finance Ltd.
8	Equitas Finance P. Ltd.
9	India Infoline Ltd.
10	ECL Finance Ltd.
11	AU Financiers India Ltd.
12	SE Investments Ltd.
13	Electronica Finance Ltd.
14	MAS Financial Services Ltd.
15	IKF Finance Ltd.
16	Intec Capital Ltd.
17	Sakthi Finance Ltd.
18	Esskay Auto Finance Ltd.
19	Bansal Credits Ltd.
20	Five Star Business Credits Ltd.
21	Indiabulls Financial Services Ltd.
22	Vistaar Financial Services P. Ltd.
23	Shriram Finance Corporation Pvt Ltd (SRFCL)
24	India Infoline Finance Ltd (IIFL)
25	Mahindra & Mahindra Financial Services Ltd
26	Pudhuaaru Financial Services Pvt Limited (PFSPL)
27	Nabard Financial Services Ltd (NABFINS)
28	Maanaveeya Development & Finance Private Ltd
29	Jumbo Finvest (India) Limited (JFIL)
30	Ananya Finance for Inclusive Growth Pvt. Ltd.
31	Capital First Limited(CFL)

Note : The above list is indicative and not exhaustive. The list is periodically revised as and when new institutions are getting added.

Sr No	Partner Institutions	Nos
1	PUBLIC SECTOR BANKS	27
2	Private Sector Banks	18
3	REGIONAL RURAL BANKS (RRBs)	31
4	Co-operative Banks	14
5	MFI-NBFC	47
6	MFI	26
7	NBFC	31
	TOTAL	**194**

ANNEXURE – 8

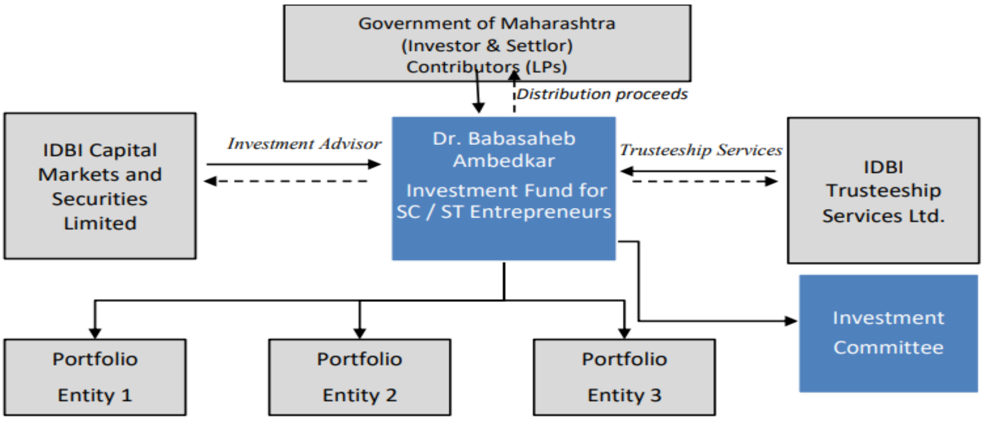
Bharat Ratna Dr. Babasaheb Ambedkar Fund for SC/ST (BRBASCST)- fund updates for the period ended February 2023. Source: IDBI Capital, World Trade Centre Complex, Mumbai.

Brief Introduction:

On the occasion of the 125th birth anniversary of Bharat Ratna Dr. Babasaheb Ambedkar in 2016, the Honourable Chief Minister of Maharashtra has formulated a new policy for Scheduled Castes (SC) and Scheduled Tribes (ST) entrepreneurs based in the state of Maharashtra to make them self-sufficient and financially independent.

One of the initiatives under the scheme is setting up of an investment fund - Bharat Ratna Dr. Babasaheb Ambedkar Fund for SC/ST (BRBASCST) with the primary objective of promoting and providing finance to sustainable enterprises which are fully owned by SC & ST entrepreneurs. The Fund is sector agnostic and all manufacturing enterprises as per MSMED Act are eligible for the Fund. Service enterprises viz. Health Care, Renewable and Non-Conventional Energy, Agri Ancillary, Food Processing, Energy Efficiency, -transmission – distribution, Clean Technology, Light Engineering, Information Technology, Medical Devices, Bio-Medical, Water & related technologies, Consumption lead sectors and any other service sectors which have a multiplier effect in different locations are eligible for the funds. However, the Fund would refrain from offering financial assistance to entities involved in alcohol / Tobacco-based industries, Gold Trade, NBFCs (except Micro Finance Institutions), Diamond Trade Real Estate, Trading, and all products and services banned by the Government of India and /or Government of Maharashtra from time to time. The standardized application formats are available on the website of the Government of Maharashtra as well as the website of IDBI Capital Markets and Securities Limited (ICMS).

The BRBASCST scheme structure is as follows:

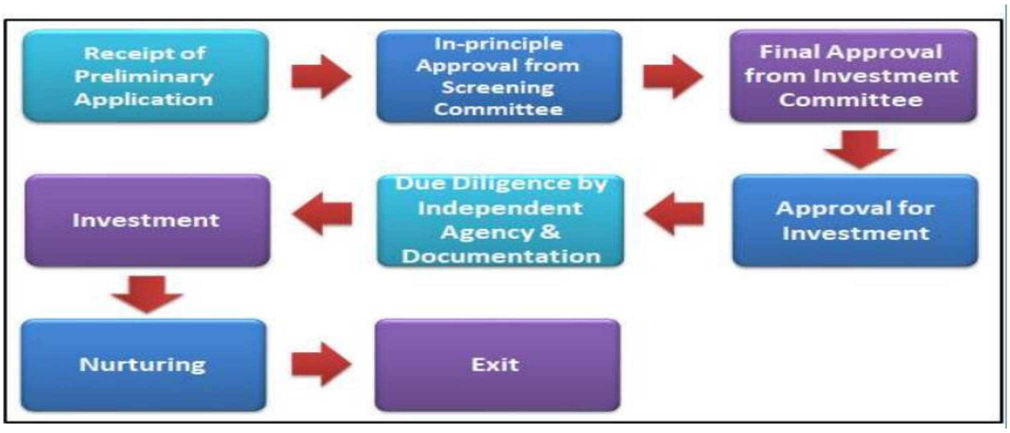


The BRBASCST scheme's characteristics:

1. The Fund shall primarily invest in Private Ltd. / Public Ltd. Companies / Enterprise 100% controlled by the Promoters/ Directors. The company shall fall in the definition of Start-up as defined by Startup Initiative of Government of India or MSME as per the Ministry of MSME/Micro, Small and Medium Enterprises Development Act, 2006. FDI will be freely allowed in such enterprises within the prescribed limits of existing policy of GOI. In no case, the shareholding of SC/ST entrepreneurs would be reduced from 51%.The controlling stake at any point of time should be retained throughout the operative period of the scheme.
2. The entrepreneur and all operations of the business should be domiciled in the state of Maharashtra.
3. All entrepreneurs should have a Caste Certificate along with Caste Validity Certificate issued by respective Competent Authorities. Documentary proof of the same will have to annexed along with the proposal.
4. At least 20% of the total capital employed in the business shall be made by the erstwhile shareholders / promoters of the company or any other investor.
5. The fund will look for excellent entrepreneurial qualities; strong capability in innovation (preferably IP) based products/ service or highly scalable businesses with proof and track record and a clarity and focus of business models. The company must have sound governance standards and ethical practises and a capability to put in place systems and processes which will support the growth plans of the company. It should also have a strong management team with relevant and complementary experiences.

The Fund's investment will be done in securities (both debt and equity) of enterprises of SC/ ST through multiple instruments such as equity / equity related investments, convertible instruments, debentures etc.

The Fund's investment process:



There is also a Screening Committee and Investment Committee of eight members at the Fund.

ANNEXURE - 9

Venture Capital

1. **What is Venture Capital?**
    - Venture Capital (VC) is a form or subset of private equity (PE) and a type of financing that investors offer to start-up companies and small businesses, which are considered to have long-term growth potential. VCs are offered to both (i) small companies with exceptional growth potential and (ii) companies that have grown fast and appear to have continuous expansion possibilities. VC financing is <u>most commonly found in early and seed round funding but is not always monetary</u>. It can be extended in the form of <u>managerial or technical expertise</u> to the business as well. VC is offered by well-off investors, investment banks, and other financial institutions. VCs can be risky, however the potential for above-average ROIs (return on investment) is an attraction for VC investors. It is becoming a popular source of raising funds for new businesses or for those businesses with a limited operating history of say less than two years. VC is popular because such entities do not typically have access to bank loans, capital markets, and other debt instruments and also spur a lot of innovation and innovation has risk. A word of caution to VC funding is that investors / venture capitalists have a say in the company's decisions because they get equity in return for their investment.
    - The three typical and clear stages of VC financing are:
        - Pre-Seed: The earliest stage of business development when founders try to develop concrete business plan from an idea. They may enrol in a business accelerator to secure early funding and mentorship.
        - Seed Funding: In this stage, a new business seeks to launch its first product and due to no revenue streams yet, the business needs VCs to fund its operations.
        - Early-Stage funding: After a business develops a product, it needs additional capital to scale production and sales prior to becoming self-funding. The business then requires one or more funding rounds, typically called incrementally as Series A, Series B etc.

2. Venture Capital in India

- India has witnessed a growth in start-ups and the market for VC funding continues to thrive regardless of global events such as inflation or the war in Europe. VC funding is prominent in India to the extent that in 2022 (January to August) start-ups raised USD20 billion in 1,129 deals as compared to USD 38 billion for whole year 2021, which itself was three times that of 2020. In 2021, consumer technology, fintech, and software as a service (SaaS) governed the largest chunk (75%) of VCs in India. VC support extends from pure funding or investing to taking on trust to lending expertise to mentoring, management & supporting in strategizing amongst Indian start-ups. Over a period of time, the outlook of venture capitalists has also evolved in so far as taking on high risk-high reward stakes in start-ups is concerned. Besides, the year-on-year momentum of venture capital in India is influenced by various factors such as (i) SEBI's IPO norms (ii) regulatory shifts in certain sectors (iii) human capital available to scale start-ups and various other developments.

3. Venture Capital amongst MSMEs in India

- Venture Capital amongst MSMEs in India is yet to be explored. It is much debated for several reasons. While MSMEs stand to gain from long term capital, management expertise and mentoring from VCs, they are unable to attract private capital in general (including PE), hence are known to constantly be short of funds. Some of the many reasons (both from demand side and supply side) for not being able to attract PE/VC funds for MSMEs include (i) venture capital turns out to be most expensive form of capital for business growth and move away from pre-agreed interest rates of lending therefore risk MSMEs tend to be risk averse to VC's expectations of high returns (ii) lack of accuracy in record keeping which does not help investors in getting a clear understanding of the MSME entity's business situation (iii) lack of institutionalised operations such as no second line of leadership, lack of professional management, no defined Key Performance Indicators (KPIs) or Key Result Areas (KRAs) or processes based on Standard Operating Procedures (SOPs) etc.
- There are advantages to having VC/PE investors in MSMEs if the MSME entity were to overcome the above-mentioned challenges. While MSMEs do have access to lenders such as banks or NBFCs i.e., a traditional reliance on debt, it is the not the same as having a VC with its skin the game, i.e., active participation and own stake in the MSME sector's growth. It is popularly believed that the lack of PE or VC funding or other private pools of investment has kept the domestic MSME sector from fully unfolding its growth potential. This has especially come to the fore after the negative impact of the COVID-19 pandemic on MSME business owners wherein the Government was required to step in to facilitate the flow of equity towards the MSME sector, i.e., Fund-of-Funds of Rs. 50,000 crores with

Rs. 10,000 crores as government investment and the balance Rs. 40,000 crores expected as VC or PE.

Despite the restrictive scenario to marry MSMEs and VC in the market, the Small Industries Development Bank of India (SIDBI) comes to the rescue. It is the apex financial Institution in the country for the MSME sector and is known as the 'Impact Institution for MSMEs'. One of its initiatives is to be 'Fund of fund support for VC funds'. Its wholly owned subsidiary, SIDBI Venture Capital Limited (SVCL) is an investment management company and is India's largest Limited Partner (LP) for VC. It manages funds focussed on different themes including start-ups / early-stage technology businesses, manufacturing SMEs, service entities, agri-businesses, financial inclusion companies etc. SIDBI has been operating Fund of Funds programs, such as All India Funds, Regional Funds, MSME-RCF, India Aspiration Fund (IAF), Fund of Funds for Start-ups (FFS- launched 2016 with approved corpus of Rs.10,000 crore) and ASPIRE Fund (AF – corpus of Rs.310 crore) in which contributions are made to Alternative Investment Funds (AIFs) for investments in companies at different stages of business cycles such as seed, Series A, growth and so on. In India, NABARD and Electronic Development Fund (EDF) have also created fund 006Ff funds.

<u>'Venture Capital Fund for Scheduled Castes'</u>

This a first of its kind Venture Capital Fund launched in 2014-15 by the GoI. Details as per snapshots below:

A first of its kind Venture Capital Fund launched by Ministry of Social Justice and Empowerment, Government of India to promote Entrepreneurship in India among the Scheduled Castes by providing concessional finance to them. The fund was launched in the FY 2014-15. The guidelines of the scheme are as below:

1. **Eligibility Criteria**

- The projects/units being set up in manufacturing, services and allied sector, including start-ups and units being incubated in the technology business incubators, ensuring asset creation out of the funds deployed in the unit shall beconsidered.
- **For Companies applying for assistance up to Rs. 50 lakh:** Companies havingat least 51% shareholding by Scheduled Castes entrepreneurs for the past 6 months with management controlOR;a new Company provided that the new Company is a successor entity of a Proprietary Firm or Partnership Firm or One Person Company (OPC) or Limited Liability Partnership (LLP) or any other establishment incorporated under any law in force with sound business model which has been in operation for over 6 months, and the predecessor entity had at least 51% shareholding of the Scheduled Castes entrepreneurswith management control.
- **For Companies applying for assistance above Rs. 50 lakh:** Companies havingat least 51% shareholding by Scheduled Castes entrepreneurs for the past 12 months with management controlOR;a new Company provided that the new Company is a successor entity of a Proprietary Firm or Partnership Firm or One Person Company (OPC) or Limited Liability Partnership (LLP) or any other establishment incorporated under any law in force with sound business model which has been in operation for over 12 months, and the predecessor entity had at least 51% shareholding of the Scheduled Castes entrepreneurswith management control.
- **For technology oriented innovativeprojects:**
  - A. Innovative ideas selected by Technology Business Incubators (TBIs) for incubation funding to cover the cost of operation and maintenance subject to a ceiling of Rs. 10 lakhs on an average per year for a period of three years subject to satisfactoryprogress.
  - B. New Companies having at least 51% shareholding by first time Scheduled Caste entrepreneurs who have been working in technology oriented innovativeprojects:
    - i. with the support of incubation centers at IITs, NITs, Premier Business Schools, Universities, Institutions, Medical Collages, NSTEDB under Department of Science & Technology (DST) or supported by corporate, with good potentialofcommercialization and project is at implementation stage; and /or;
    - ii. without the support of Incubations centers but are having patent/ copyrights with good potentialof commercialization and project is at implementation stage.
    - iii. Projects sanctioned by departments of Government of India after due appraisal.
- Documentary proofs of being SC will have to be submitted by the Entrepreneur at the time of submitting the proposals.
- Documentary proofs / certificate from the incubation centers/corporates or documents w.r.t patent/ copyrights in the name of SC entrepreneur need to be submitted at the time of submitting the proposal.
- Sanction letter of department of Government ofIndia.
- E-documents will also be accepted.
- For Companies with sanctioned assistance of above Rs.5 crore, the money released by the Trust/ Fund Manager would be in proportion to the loan tranche released by Bank/ department of Govt of India, except in the cases being supported under Innovative ideas category selected by Technology Business Incubators (TBIs) as mentioned at point A above.

Sl. No.	Indicators	Modified
1.	**Investment Size**	Rs. 10 lakhs to Rs. 15 Crore. Aggregate assistance not more than two times the current net worth of the Company.
2.	**Tenure of financial assistance**	Up to 10 years including moratorium period in case of debentures. In case of equity, decision for exit would be taken on case-to-case basis with maximum tenure up to 10 years.
3.	**Moratorium on principal**	In case of debentures, on case to case basis but not more than 36 months from the date of investment. Interest payment shall commence from date of investment in the Company at a regular interval as determined by the Investment Committee.
4.	**Nature of Financial Assistance**	A. Shares (CCPS) (maximum up to 25% of the corpus) can be invested subject to thefollowing: i. Such investment may be limited to innovative Technology-oriented projects/start-ups fulfilling the conditions mentioned under Eligibility Criteria; ii. The maximum equity investment in a company can be 49%, subject to maximum investment of Rs.5 crore; iii. Such investment shall be at face value of shares in every company, subject to applicablelaws; iv. In every investment under the Fund, minimum 25% investment shall be in the form of debentures. B. Compulsorily Convertible Debentures (CCDs), Optionally Convertible Debentures (OCDs), Non-Convertible Debentures (NCDs), etc. These instruments shall be considered for all companies who are not falling underthe category A above.
5.	**Funding Pattern**	Investment under the fund will be categorized as follows: 1. **Financial assistance upto Rs.5 Crore** - Investment under this category shall be funded maximum upto 75% of the project cost and the balance 25% of the project cost will be funded by the promoters or through Govt subsidy under various schemes of central or stateGovt.; 2. **Financial assistance above Rs. 5 Crore** – Investment under this category shall be funded maximum upto 50% of the project cost. At least 25% of the project cost shall be funded by promoters or through Govt subsidy under various schemes of central or state Govt., and balance 25% of the project cost can be funded either by promoters or by the bank or any other Financial Institutions asthe case may be. In cases where Govt. subsidy is available, the promoters will have to contribute at least 15% of the project cost
6.	**Expected Returns Through investment**	a. In Equity investment, return at the time of exit by way of buyback / strategic investment / IPO shallbe 8% p.a. or as per the valuation whichever is higher. b. Debt/Convertible Instruments - 8% p.a. (For women*/disabled** entrepreneurs - 7.75% p.a.) [*For considering a company owned by a SC women entrepreneur, the SC women entrepreneur should hold at least 51% of the shareholding in the company and should be the Managing Director of theCompany; **Inthe case of disabled entrepreneurs, guidelines issued by the Department of Divyang Welfare for qualifying as disabled would be followed.]

7.	**Exit Mechanism**	· Exit through payments out of operations, buyback/ redemptions by promoters/ companies, strategic investments, listing on stock exchanges or any other exitprocess Exit process shall be determined on case to case basis depending on the nature of financial assistance and performance ofthe company.
8.	**Security**	The following securities may be envisaged during the investment: a. The assets of the project being funded/ assisted under the scheme shall be charged for security. The project assets will include land, building, plant & machinery and rights on licenses/patents. b. Pari-pasu charge on assets with the Banks/FIs in case of the companies applying for loan with banks/ FIs on case to casebasis. c. 2nd charge of the assets created out of the investment where the 1st charge in held by the Bank/FIs. d. Pledge of Shares held by promoters and forming atleast 26% stake and upto 51% of the Issued and Paid up capital shall betaken. However, the percentage of pledged shares would be decided on case to case basis. e. In addition to the charge on assets, Post-dated Cheques (PDCs)/ Electronic Clearing Service (ECS) and promissory notes shall betaken. f. Personal guarantees of the promoters along with buyback agreement shall beentered. g. In case no mortgage in the form of project land is available, the borrower may arrangecollateral securities.

INVESTMENT MANAGER

IFCI VENTURE

IFCI VENTURE CAPITAL FUNDS LIMITED

IFCI Tower, 16th Floor, 61 Nehru Place New Delhi - 110 019
Phone No:- 011 - 4173 2518/09/67/76/70/81/90/82/07, 011 - 26453359
Email: funds@ifciventure.com
Website: www.vcfsc.in (click vcfsc)

ANNEXURE – 10

Incubation Program Proposal

Developing Entrepreneurship Culture among Youngsters in India through Incubation Program.

Introduction:

The aim of this project is to develop an entrepreneurship culture among young individuals in India by providing them with the necessary resources and support to start and grow their own businesses. This will be achieved through the creation of domain-specific incubation centres in emerging technologies, which will be established and run by the state government.

Background:

Entrepreneurship is widely recognized as a key driver of economic growth and job creation. However, in India, the culture of entrepreneurship is still in its nascent stage, with many young individuals still preferring to take the safe and secure route of employment. In order to promote entrepreneurship and encourage more young people to start their own businesses, the government needs to provide them with the necessary resources and support.

Objectives:

1. To establish domain-specific incubation centres in emerging technologies across the state. To provide young entrepreneurs with the necessary resources and support to start and grow their own businesses.
2. To create a conducive environment for the growth and development of new businesses in the state.
3. To promote entrepreneurship as a viable career option among young individuals.

Methodology:

1. Identify the emerging technologies in which the state has a competitive advantage.
2. Establish domain-specific incubation centres in these technologies.
3. Provide young entrepreneurs with access to resources such as funding, mentorship, networking opportunities, and other business support services.

4. Monitor the progress of the incubated startups and provide additional support as needed.
5. Evaluate the success of the program through metrics such as the number of successful startups, job creation, and economic growth.

Implementation:

1. The project will be implemented in phases, starting with the establishment of incubation centres in one or two emerging technologies.
2. The state government will partner with private sector organizations, academic institutions, and other stakeholders to establish the incubation centres
3. The incubation centres will be staffed by experienced entrepreneurs, investors, and other business experts who will provide mentorship and support to the incubated startups.
4. The state government will provide funding and other resources to the incubation centres to support their operations.
5. The program will be evaluated and adapted based on feedback from the incubated startups and other stakeholders.

Expected Outcomes:

1. Increased number of successful startups in the state.
2. Job creation and economic growth in the state.
3. Increased awareness and interest in entrepreneurship among young individuals.
4. A conducive environment for the growth and development of new businesses in the state.

Budget:

The budget for this project will include costs for setting up and running the incubation centres, including staffing, equipment, and other operational expenses. It will also include funding for the incubated startups. The exact budget will be determined based on the specific details of the project, such as the number and location of the incubation centres, and the technologies they will focus on.

Conclusion:

This project is a step towards developing an entrepreneurship culture among young individuals in India. By providing them with the necessary resources and support to start and grow their own businesses, the government can help to promote entrepreneurship as a viable career option and spur economic growth in the state. The project is expected to be implemented in phases, with the first incubation centres established in one or two emerging technologies, and the program will be evaluated and adapted based on feedback from the incubated startups and other stakeholders.

ANNEXURE – 11

SICOM proposal to MPBCDCL to collaborate

1 SICOM/Advisory/M
PBCDC/2022-23 01st February 2023
(Mahatma Phule Backward Class Development Corporation)

Sub: Proposal for engagement with Mahatma Phule Backward Class DevelopmentCorporation (MPBCDC)

Advantage SICOM

- SICOM Lineage
  - Incorporated in 1966 as 100% Government of Maharashtra (GoM) owned company
  - Catalysed industrial growth in backward regions of the state
  - GoM divested 51% stake for Rs.230 crore in 1995-96
  - SICOM is registered with RBI as non-deposit accepting NBFC
  - SICOM is notified as Public Financial Institution by GoI

- SICOM Track Record
  - GoM being largest equity holders, controls operations of SICOM
  - SICOM has extended financial assistance/ loans of various tenures to Corporates witha view to aid Industrialization and increase employment.
  - In the process, SICOM has acted as a catalyst for the industrial growth in the state ofMaharashtra.
  - SICOM also played an active role in incorporation of various State-level development institutions;
    - City and Industrial Development Corporation of Maharashtra (CIDCO)
    - Maharashtra Airport Development Corporation (MADC), etc.
  - Conceptualized MIHAN project at Nagpur.
  - Contributed land for Dry Port development at Wardha.
  - The above initiatives helped transform cities like Nagpur, Aurangabad, Nashik, Kolhapur, Mahad into booming industrial centers.
  - Raised funds for Irrigation projects and for Industries Dept. through MPVCL (~Rs.790 crore) and MVRPL (~Rs.230 crore) respectively.
  - Acted as Transaction Advisors for GoM initiatives;
    - Mumbai - Pune Expressway
    - Maha Mumbai Special Economic Zone (SEZ)

  - Disinvestment of MAFCO, Chitali Distilleries, MOCICOL, etc.
  - Provided valuation services for sale of assets of GoM;
    - Marathwada Development Corporation
    - Meltron
    - Development Corporation of Konkan, etc.
- Operations Management of GoM companies
  - Maharashtra Vikrikar Rokhe Pradhikaran Ltd. (MVRPL)
  - Maharashtra Patbandhare Vittiya Co. Ltd. (MPVCL)
- Nodal Agency for the Industries Dept. GoM;
  - Project Appraisal under Package Scheme of Incentives
  - Project Appraisal under Textile Policy
  - Project Appraisal under Tourism Policy
  - Financial Appraisal under MS Indl. Cluster Dvpt. Program
  - Assistance at Industries Dept. (DI) / MAITRI for various initiatives of DI since 2015

➢ SICOM having proven expertise in financial assistance/ loan disbursements and recovery, it is proposed to explore opportunities with MPBCDC by leveraging the said expertise in implementation of some of its schemes.

2 Proposal

- It is proposed that following services may be offered to MPBCDC primarily for the Margin Money Scheme of MPBCDC:

  i. Placement of the budgeted funds with SICOM in interest bearing deposit

  ii. Marketing and Promotion of the MPBCDC policies/schemes in co-ordination with Directorate of Industries (DoI), GoM

  iii. Handholding support for loan applications

  iv. Checklist based on eligibility criteria laid down in the scheme for processing by MPBCDC

  v. Provide draft format for correspondence with stakeholders in the scheme

  vi. Disbursement of loans to eligible beneficiaries approved by MPBCDC with applicable processing fee payable to SICOM

  vii. Refund the undisbursed amount to MPBCDC at end of the year/ scheme period oradjust it against the next budget

  viii. Prepare and maintain of MIS

- Working Framework proposed in flow chart form is presented below.

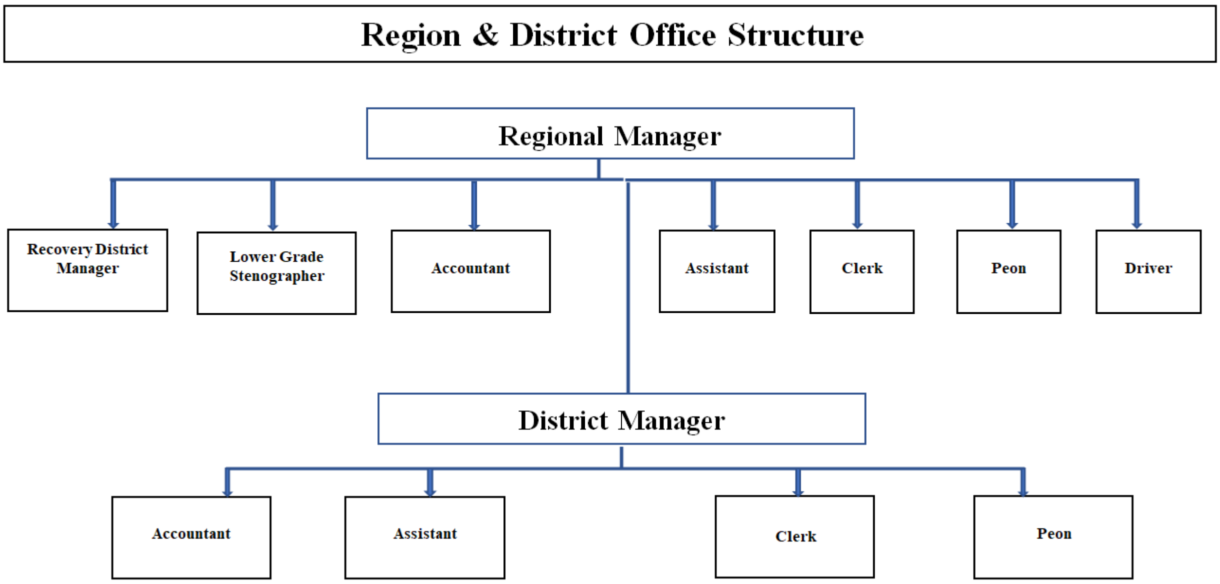
Sr.	**MPBCDC**
1.	Allocation of Budget for the scheme
2.	Receive Applications
3.	Authentication and selection ofapplications
4.	Issue sanction letter and intimation toNSFDC / NSKFDC
5.	Receipt of interest and repaymentsfrom beneficiaries
6.	Provide bank account view access or weekly bank transaction statement inexcel and its hardcopy to SICOM

Sr.	**SICOM**
1.	Placement of interest-bearingdeposit with SICOM
2.	Promotion of the schemes
3.	Checklist based on eligibilitycriteria
4.	Disbursement to eligible beneficiaries approved by MPBCDC with applicable processing fee payable to SICOM
5.	Maintain MIS
6.	Refund of the Deposit with SICOMalong with interest at the end of theyear/ scheme period

ANNEXURE - 12

Organisation Structure & Staffing - Current – MPBCDCL

A) Head Office wise sanctioned and working post wise staff (Status as on 01.12.2022)				
Sr. No.	**Post**	**Sanctioned Post**	**Currently Working Post**	**Vacant Post**
1	Managing Director	1	1	0
2	General Manager	2	1	1
3	Dy. Gen. Manager	5	1	4
4	Asst. Gen. Manager	10	6	4
5	Internal Auditor	1	1	0
6	Company Secretary	1	1	0
7	Legal Advisor) मानधन(	1	1 (Honorarium)	0
8	Accountant	2	3	-1
9	Assistant	8	9	-1
10	Lower Grade Stenographer	4	0	4
11	Steno-Typist	2	2	0
12	Clerk-cum-Typist	6	2	4
13	Driver	8	3	5
14	Peon	7	0	7
	Total	**58**	**31**	**27**



B) Region Office wise sanctioned and working post wise staff (Status as on 01.12.2022)

Sr. No.	Post	Sanctioned Post	Currently Working Post	Vacant Post
1	Regional Manager	6	4	2
2	District Manager (Recovery)	6	1	5
3	Accountant	6	2	4
4	Assistant	12	5	7
5	Lower Grade Stenographer	4	2	2
6	Steno-Typist	2	0	2
7	Clerk-cum-Typist	6	2	4
8	Driver	6	1	5
9	Peon	6	2	4
	Total	**54**	**19**	**35**

C) District Office wise sanctioned and working post wise staff (Status as on 01.12.2022)				
Sr. No.	**Post**	**Sanctioned Post**	**Currently Working Post**	**Vacant Post**
1	District Manager	36	20	16
2	Accountant	32	8	24
3	Assistant	72	35	37
4	Clerk-cum-Typist	72	12	60
5	Peon	36	11	25
	Total	**248**	**86**	**162**
Total (A+B+C)		**360**	**136**	**224**

Current Structure of the Corporation			**Proposed Structure**				**पदामध्ये वाढ / घट**
अ.क्र.	Name of the Post	Sanctioned Posts	Name of the Post	Proposed Number of Posts			**-**
1	Managing Director	1	Managing Director	1			-
2	-	-	Joint Managing Director	1			+ 1 (नवनिर्मित पद)
3	-	-	Chief General Manager	2	Chief General Manager (Administration) / (Recovery)	1	+ 2

<table>
<tr><th colspan="3">Current Structure of the Corporation</th><th colspan="4">Proposed Structure</th><th>पदामध्ये वाढ / घट</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>Chief General Manager (Administration) / (Recovery)</td><td>1</td><td>(नवनिर्मित पद)</td></tr>
<tr><td rowspan="5">4</td><td rowspan="5">General Manager</td><td rowspan="5">2</td><td rowspan="5">General Manager</td><td rowspan="5">4</td><td>General Manager
(Admin)</td><td>1</td><td rowspan="5">+ 2</td></tr>
<tr><td>General Manager (Recovery)</td><td>1</td></tr>
<tr><td>General Manager (Project-1,2,3)</td><td>1</td></tr>
<tr><td>General Manager (Finance)</td><td>1</td></tr>
<tr></tr>
<tr><td>5</td><td>Deputy General Manager / Regional Manager</td><td>11</td><td>Deputy General Manager / Regional Manager</td><td>16</td><td>-</td><td>-</td><td>+ 5</td></tr>
<tr><td>6</td><td>District Manager</td><td>52</td><td>District Manager</td><td>59</td><td>-</td><td>-</td><td>+ 7</td></tr>
<tr><td>7</td><td>Assistant Accounts Officer</td><td>40</td><td>Assistant Accounts Officer</td><td>48</td><td>-</td><td>-</td><td>+ 8</td></tr>
<tr><td>8</td><td>Office Assistant</td><td>92</td><td>Office Assistant</td><td>107</td><td>-</td><td>-</td><td>+ 15</td></tr>
<tr><td>9</td><td>Clerk-typist</td><td>84</td><td>Clerk-typist</td><td>114</td><td>-</td><td>-</td><td>+ 30</td></tr>
</table>

Current Structure of the Corporation			**Proposed Structure**				**पदामध्ये वाढ / घट**
10	Internal Auditor	1	Internal Auditor	1	-	-	-
11	Junior Grade Stenographer	7	Junior Grade Stenographer	9	-	-	+ 2
12	Stenographer	5	Stenographer	5	-	-	-
13	Legal Adviser	1	Legal Adviser	1	-	-	-
14	Company Secretary	1	Company Secretary	1	-	-	-
15	Public Relations Officer	1	Public Relations Officer	1	-	-	-
15	Driver	14	Driver	25	-	-	+ 11
16	Peon	49	Peon	57	-	-	+ 8
-		**360**	-	**452**	-		**+ 92**

---END---