

# OPERATIONAL GUIDELINES FOR REVOLVING FUND under OFSDP-II



**Odisha Forestry Sector Development Project, Phase-II**

Odisha Forestry Sector Development Society  
Forest & Environment Department, Government of Odisha





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## FOREWORD

A number of efforts have been initiated under the Odisha Forestry Sector Development Project, Phase-II (OFSDP-II) for livelihood enhancement of marginalized forest fringe dwellers by encouraging their direct participation in forest protection and regeneration processes. Over a period of past few years, it has been observed that it is essential to secure the livelihood of these marginalised communities so as to enable them to get involved in the activities of livelihood enhancement through income generating activities. There is absolute consensus that if the present livelihood of the community is augmented by addressing their urgent basic needs, the value addition of the income generation activities would have a lasting impact. The forest management plans would only be sustainable if additional and long term sustainable income generation programmes are implemented for the community along with forest development programmes offering solutions to the community for their present aspirations which are essential for their survival.

As one of its objectives, Odisha Forestry Sector Development Project Phase-II has been focussing on augmenting livelihoods of its core stakeholders through various livelihood initiatives. Under OFSDP-II, Sustainable Livelihood Programme has been envisaged to go beyond the conventional definitions and approaches of poverty eradication in forest fringe villages. Promotion of small yet diverse and impactful Income Generating Activities (IGAs) by involving Self Help Groups (SHGs), Common Interest Groups (CIGs) and Poorest of the Poor (POPs) is proposed under OFSDP-II. The income generation activities taken up under the project may not be the main source of income for the family members of marginalised community but these would certainly help them in day-to-day management of household situation. This is especially important for the households which are particularly economically vulnerable. In order to supplement this endeavour, OFSDP Phase-II has provisioned to release a one-time grant called Revolving Fund (RF) to the target VSS in the forest fringe communities directly. Revolving Fund under the project will be used by the VSS, to provide loans to the Borrowing Entities (viz. SHGs, CIGs and poorest of the poor) for undertaking Income Generating Activities for supplementing the family income. The core objective of Revolving Fund under OFSDP Phase-II

is primarily to provide livelihood support to the forest fringe dwelling community stakeholders by improving access to finance required by the Borrowing Entities for investment towards Income Generating Activities. Apart from these objectives, RF is expected to empower the community beyond project period for adopting a sustainable mechanism for fund management for IGAs. The Revolving fund (RF) is identified as one of the major mechanisms of social inclusion by promoting SHGs, CIGs and the poor forest dependant community on the trajectory of socio-economic growth.

In order to facilitate the sustainable growth of the forest fringe dwellers, to promote their income generation activities (IGA) and to enhance their livelihood, a comprehensive document has been developed, namely Operational Guidelines for Revolving Fund under OFSDP, Phase-II. This Guideline exhaustively deals with the identification of various types of IGAs, selection process of Borrowing Entities, management of Revolving Fund, criteria for target groups viz. SHGs, CIGs, POPs, disbursement schedule, repayment schedule and procedure for approval of loan and business plan. The Guideline has been prepared to help the VSS and the field level functionaries in managing the Revolving Fund diligently.

I am sure that this document would serve as an important tool for the Project Management Unit, Divisional Management Units, and Field Management Units in implementing the Livelihood Initiatives for IGAs under OFSDP, Phase-II.



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# 1. Introduction

Odisha Forestry Sector Development Project - II has a provision for Revolving Fund (RF) to be productively utilized in operationalizing viable Income Generating Activities (IGAs) and establishing community-based micro enterprises. The Revolving fund (RF) is one of the major mechanisms of social inclusion and promoting SHGs, CIGs and poorest of the poor forest dependant on the trajectory of economic growth. It provides the Borrowing Entities an opportunity to aggregate their products by providing the initial seed money to take up income generating activities for providing additional income.

## 2. Purpose of the Revolving Fund

Revolving Fund under the project has been provisioned as a grant to the VSS, to provide loan to the Borrowing Entities (namely- SHGs, CIGs and poorest of the poor) for undertaking Income Generating Activities for supplementing the family income. The purpose of revolving fund is stated below:

- To improve access to finance required for investment towards Income Generating Activities.
- To cater to the financial needs for availing loan by the Borrowing Entities for undertaking Income Generating Activities
- To revolve the fund so as to maximise the value of the fund through loan and interest recovery.
- To provide a dependable fund reserve at community level beyond the project period.
- To empower the community for adopting a sustainable mechanism for fund management and IGA beyond the project period.

## 3. Source of Revolving Fund

The Revolving Fund provision is Rs. 2,00,000 (Rs. Two Lakhs only) per VSS aimed to support the Borrowing Entities (namely- SHGs, CIGs and poorest of the poor entrepreneurs) for IGA in the target VSS area under OFSDP-II. The Revolving Fund with the project will be allocated by the PMU to VSS through the Division. Each VSS has to develop a brief Business Development Plan for utilizing the Revolving Fund allotted to them.

## 4. Target Groups and Types of IGAs

### 4.1 Target Groups

The Borrowing entities will be Self Help Groups (SHGs), Common Interest Groups (CIGs) and the Poorest of the Poor (PoP) who have the capacity and inclination for taking up IGA.

### 4.2 Types of IGAs

The OFSDP-II envisages support to augment livelihood of forest fringe communities through various income generating activities across farm, off-farm, non-farm and NTFP sector. The Revolving Fund will be utilized for promotion of IGA linked to identified products in the VSS. The IGA support to the community, therefore, will be rendered at different forms as mentioned below;

- a) SHGs, Common Interest Group (CIG) and Poorest of Poor (POP) based IGAs, where small loan based activities with a short gestation period will be admissible for them for gaining alternative sources of income by selling the product(s) at local market with handholding provision by project facilitators and in convergence with other local potential agencies.
- b) Group based small income generating activities around a single commodity for which loans will be made available to them and collective marketing/ value addition with an objective to get higher return through linkage to higher markets by scaling up and also in linkage with other Business Plan Development Support (BP).
- c) Product based clusters will be formed around one or few viable products. Each such cluster will pick up livelihood options which can be-
  - (i) Forest based (Sal & Siali leaf plates, Brooms, NTFP, etc.),
  - (ii) On-farm based (agriculture, horticulture, pisci-culture, apiculture, floriculture, nurseries, etc.),
  - (iii) Off farm based (Dairy, poultry, goatry, piggery etc.),or
  - (iv) Non-farm based (entrepreneurships depending upon the requirement, such as plumbing, carpentry, tailoring, cycle repair, mobile repair, shops, etc.
- d) NTFP based livelihoods activities will be promoted through NTFP inventory, development of NTFP strategy and facilitating linkage with business development services including marketing linkages and R & D.
- e) These Borrowing Entities will be financially supported by the project through loan from Revolving Fund (RF) granted to each VSS.

## **5. Eligibility Criteria for Selection of the Borrowing Entities**

### **5.1 General Criteria**

The eligibility criteria for sanctioning revolving fund are as below:

- The Borrowing Entities must belong to the same village as the VSS and must be a member of the VSS.
- They must support in forest protection and functioning of the VSS.
- They must have access to the resource and skill to take up IGA activities and must also be interested in joining the product cluster promoted under project with the defined standard operating procedure of product sourcing, collectivisation, value addition etc.
- The Borrowing Entities should be of at least one year of age, having functional activities and an operational group bank account. The poorest of poor applicants must be residing in the village since last 3 years, should not be a migrant and should have a bank account in her/his name.

- The Borrowing Entities should have capability to invest revolving fund towards IGA profitably and refund the loan on time. Past records of fund/loan management in case of groups will also be referred to by the VSS before granting of loan.
- The Borrowing Entity has to prepare and submit the required information as per the format supplied by the VSS outlining the business proposal, investment and repayment schedule along with the application, which is most essential for sanction of loan from the Revolving Fund.
- The Borrowing Entity must not be a defaulter in loan repayment under any branch of the Bank.

## 5.2 Criteria for Selection of SHGs

The criteria for selection of SHGs and the SHG Rating Tool has already been defined in the Guidelines on Formation and Strengthening of SHGs and Grounding of IGAs under OFSDP- II. This shall be used for selection of SHGs for the purpose of availing loan from RF. The Borrowing Entities in general and SHGs is particular which have availed loan from Bank/ Mission Shakti / OLM will not be eligible in availing loan from the RF of OFSDP-II to avoid duplication.

## 5.3 Criteria for Selection of Common Interest Groups

- The Common Interest Groups (CIG) will be formed/ selected by the Executive Committee of the VSS after receiving an application signed by the aspirant members and the proceeding will be duly documented as a resolution in a meeting of the EC.
- The CIG members must be identified as a group in the well-being ranking during micro plan.
- CIG can be formed taking 3-10 individuals (Women, Men, Mix) of the same hamlet/village.
- The CIG members must be residing in the village for last 3 years and not be a migrant worker.
- The members must have valid Aadhar card.
- Each member has to pursue the common interest towards IGA, especially around the product cluster decided for the village.
- The CIG has to open a bank account of the group in the service area branch to be operated by two of the CIG members jointly.
- The CIG will be eligible for loan after at least one month of its existence and has to follow the applicable process prescribed by RF Guideline.
- None of the members should have availed loan from other sources for the same purpose and should not be defaulter at any source.
- The maximum size of the loan for CIG is Rs. 20,000/-, which may be increased in the subsequent cycles depending on the physical and financial performance.

## 5.4 Criteria for Poorest of the Poor

- Poorest of poor who are left out of the SHGs and CIGs for social, economic or procedural reasons will be eligible for loan from RF provided they meet the other general conditions.
- The POP must be residing in the village for last 3 years and not be a migrant worker. He must have a valid Aadhar card on his/her name.
- The POP members must be identified as the prospective Borrowing Entities in the well-being ranking during the preparation of micro plan and duly recorded in it.
- The age of the POP must be within 25-60 years.
- The POP Member has to provide a social guarantee for the loan either from two credible members of the VSS in form a document duly signed by the guarantor which will be a part of the Loan Application.
- The POP must be willing to take up the IGA around the product cluster decided for the village.
- The POP must have an operational bank account on his or her own name.
- The POP must not be a defaulter at any Financial Institution or Micro Financing Institutions.
- The Maximum loan size to POP will be Rs. 5000/-, which may be increased in the subsequent cycles depending on the physical and financial performance.

## 6. Constitution of Loan Appraisal Committee for Scrutinising and Approval of Loan

A Loan Appraisal Committee will be constituted at VSS Level consisting of 5 members, namely- the Chairperson or Vice Chair Person, Secretary, Treasurer, the Animator and any other EC member to be nominated by the EC of the VSS. In case if all members of the committee are not present, then the Chairperson, the Secretary of the VSS and nominated member of the VSS shall form the quorum and shall scrutinise and process the loan applications for approval by the EC of the VSS. The committee will be reorganised after three years.

Each application of loan will be accompanied with a Loan Processing fee of Rs. 100/- only per application which will be remitted to the VSS Account. This amount will be utilised by the appraisal committee for meeting the expenses incurred for processing the application and financial management. The POP are exempted from paying the loan processing fee.

## 7. Procedure for Application of Loan by the Borrowing Entity

The Borrowing Entity will submit the loan application along with the Business Plan for the proposed IGA to the VSS. The Business plan format will be made available by the VSS. The EC members, the Animator and the PNGO members will facilitate the filling of the prescribed forms as required by the Borrowing Entity.

## 7.1 Loan Size

The maximum loan admissible to a Borrowing Entity involving a group of members, namely SHG and CIGs is Rs. 50,000/- (Rs. Fifty Thousand only) in one loan cycle. This excludes the 20% of own contribution which is to be made in cash or kind including labour by the Borrowing Entity.

In case of Poorest of Poor (individuals), the loan size will be from 5,000/- to 20,000/- (Rs. Five Thousand to Rs. Twenty Thousand) only. The 20% of own contribution may be exempted for Poorest of Poor by the EC at the time of discussion for applying for the Loan.

## 7.2 Interest Chargeable

A simple interest of 6% per annum will be charged on each loan sanctioned, which is lower than that offered by the banks and other financing institutes. The purpose is to encourage the Borrowing Entities in availing loan from the Revolving Fund for undertaking small scale Income Generating Activities.

In case of default in repayment as detailed and agreed in the repayment schedule, a penalty of 1% of the loan sanctioned per incident of default will have to be paid to the VSS by the Borrowing Entity. There will be no penalty on prepayment of loan before the loan period or tenure expires. If the delay or non-repayment is due to some natural external exigency, penal interest will not be chargeable. The Loan Appraisal Committee will intimate the reasons for penalty or waiver of penalty in writing to the EC and the same will be recorded in the Proceedings of the next Executive Committee after taking a suitable decision.

## 7.3 Repayment Schedule

The loan period/ tenure will be for 6 to 12 months within which the principal and the interest taken will have to be repaid by the Borrowing Entity. The loan application and the Business Plan must contain a loan Repayment Schedule in which the Borrowing Entity will mention the periodical spending of own contribution and the loan component. The repayment may be monthly or periodically and is to be mentioned accordingly in the said schedule. The Repayment Schedule must be mutually agreed upon by the Borrowing Entity and the Loan Appraisal Committee. The responsibility of recovering the loan shall rest with the VSS.

## 7.4 Disbursement Schedule

A Disbursement Schedule will be mentioned in the Loan Sanction / Approval Order. The contribution of Revolving Fund will be up to 80% of the total amount required for the income generating activity and the remaining 20% will be own contribution of the Borrowing entity in cash or kind or both.

The loan amount will be disbursed in 2 to 6 instalments after considering the physical and financial performance of the Business proposal sanctioned. The own contribution (20%) by the Borrowing Entity must be made with proof thereof being provided to the Loan Appraisal Committee before the disbursement of the final instalment. The 20% of own contribution is to be made by the Borrowing Entity which may be in cash or kind including labour or a combination of the two. The 20% of own contribution may be exempted for Poorest of Poor by the EC at the time of discussion for applying for the Loan. The details of proposed Disbursement Schedule will be mentioned in the loan approval order.

## 8. Procedure for Approval of the Loan and Business Plan

The Loan Appraisal Committee will scrutinize the loan applications along with Business Plan for correctness of the applications and forward it to the EC for sanction of the loan based on the merit of the proposal. The committee can seek support of PNGO functionary and the Livelihood Coordinator for hands on technical support during appraisal. The committee will take maximum of 3 days to scrutinise and recommend the loan application to the EC of the VSS. Before recommending the sanctioning of loan, the Loan Appraisal Committee must check the credibility of the borrower and their financial worthiness in term of past record of utilization of loan, repayment loan amount etc.

It will be the responsibility of the President and the Animator of the VSS to see that the proposal reaches the EC of the VSS immediately for approval. Objections / rejection of the proposal shall be intimated in writing with reasons thereof to the applicant.

In case of dispute, the matter shall be forwarded to the FMU Chief / range Officer for redressal within 7 days and the decision of the FMU Chief shall be final. Transparency shall be maintained by the VSS in selection of the Borrowing Entity and sanction of loan. All proceedings of the Appraisal Committee and the Executive Committee shall be recorded as resolution in the proper register.

## 9. Accounting Procedure and Record Keeping

The accounting procedure and record keeping for smooth financial management at different levels will be done in the prescribed proforma.

At VSS level the treasurer will keep the financial records with the assistance of Animator and Development Officers of the PNGO.

At FMU level the Data Entry Operator with the support of FMU Coordinator (training and Documentation) and at the DMU the DEO with the support of SMS (M&E/MIS & GIS) will be responsible for record keeping in all forms and posting the required data in the MIS portal.

At the DMU and FMU level, the Coordination cum Credit Committee (details to be supplied by PMU later) will work as the monitoring committee of the RF loan. A Monthly Progress Report will be prepared at DMU with the information flow from VSS and FMU and sent to the PMU for reporting and progress tracking purpose.

At the PMU level, the project accounts team will manage the financial records and compile the monthly progress reports received from the DMUs and take up internal audits at cluster and VSS level. Transfer of funds by the VSS to the Borrowing Entity and by the latter to the Beneficiary shall be done through Direct Benefit transfer to the Beneficiary's Bank Account. The reverse flow of loan with interest also shall be through digital/ electronic bank transfer.

The basic aspects on record keeping & Accounting on Revolving Fund are as below:

- VSS will maintain an exclusive RF Account, preferably in the same bank where other VSS accounts are maintained for OFSDP-II.
- The RF account should be jointly operated by the Chairperson and the Member Secretary of the VSS.
- A separate cash book and loan ledger for RF shall be maintained at VSS level by the Loan Appraisal Committee.
- All disbursements and re-payments will be from and to the RF fund respectively, shall be made digitally/electronically.
- The receipt and utilization of the RF shall be audited once in six months through the internal audit mechanism guided by the PMU of OFSDP-II operational manual.
- The Monthly Progress reports in the prescribed formats will be maintained by the VSS, FMU and DMU and compiled reports will be sent to the PMU latest by 10th day of the succeeding month for further scrutiny.

## 10. General conditions of RF Management

- The Revolving Fund is a grant to the VSS which will be utilized by the VSS for giving soft loans to the Borrowing Entities as detailed in previous sections as a working capital for any IGA by the Borrowing entity. Capital expenditures required under the proposed Business plan will be met from the own contribution of the Borrowing Entity.
- The loan size will be finalized considering the factors of fund available, the demand by the borrower and the investment adequacy for the proposed Business Plan.
- Financial management being the key required skill, trainings to the committee members at VSS, FMU and DMU/Cluster level will be conducted to augment the skill level for managing the fund effectively.
- The default of payment by the Borrowing Entity has to be handled by the VSS through regular counselling, regular follow up and peer pressure. The default at VSS will be attributed to Poor/Bad rating of VSSs and subsequent RF and other provisions may be kept on hold or stopped. The project may also recall the Revolving fund from the VSS.
- The books of accounts and other records of the RF will be audited along with VSS account yearly once and the audit report will be placed in the General Body of the VSS for approval under intimation with compliance to FMU and DMU.
- The books of accounts and other records maintained by the Borrowing Entity for the approved Business Plan will be subject to periodical audit as decided by the DMU/ PMU and the compliance thereof will be intimated to the concerned authority.

- Payments at all levels i.e. VSS, Cluster, FMU and DMU will be backed by proper Receipts.
- Effort will be made to increase the fund size of RF by application processing fees, recovery of interest and penal interest and by proper maintenance of records and scrutiny of monthly progress reports at different levels.
- If the facility of availing loan from a bank is available to any Borrowing Entity, then priority will be given to avail the loan from the bank rather than to borrow from the Revolving Fund.
- The Executive Committee of the VSS shall maintain the records of receipt, sanction and disbursement of loan applications in the prescribed format.
- In case if the Executive Committee of the VSS observes that there are surplus funds in the Revolving Fund after exhausting all the eligible applications for loan, then the surplus funds shall be kept as Term Deposits / Flexi- Funds in the same bank. These term Deposits must be liquidated once a loan application is found to be eligible by the Loan Appraisal Committee.
- For non-compliance of Operational Guidelines, the DMU/ FMU will have the right to stop/ withdraw the Revolving Fund from the VSS and shall take appropriate steps for recovery of the said fund.
- Assistance from the services of administrative structure of Odisha Livelihood Mission and Mission Shakti will be availed by the project staff. Similarly, the services of personnel of the two organizations will also be utilized in skill and capacity building by the project staff.
- A second loan is not to be given for the same IGA while the previous loan is outstanding.
- The withdrawal from membership/ death of a member of Borrowing Entity (namely- SHG, CIG or POP) by one or more of its members will not be allowed by the BE while the loan is outstanding. In case the BE allows one or more members to withdraw from membership of BE while the loan is outstanding, then the outstanding loan repayment shall be made by the remaining members of the BE within the agreed period of loan.

## 11. Duties and Responsibilities of the Borrowing Entity/ VSS/ FMU /DMU/ PMU

The Roles and Responsibilities of various stakeholders are as detailed below:

Entities	Responsibilities
Borrowing entity	<ul style="list-style-type: none"> <li>• To be a responsible member of the VSS and have healthy relation with VSS</li> <li>• To discuss and decide on the IGA and the fund requirement before applying for loan from RF in consultation with the Loan Appraisal Committee of the VSS</li> <li>• To develop the Business Plan and complete it in all respect before submitting the loan application.</li> <li>• To ensure that the loan is productively used for the same purpose as per the approved Business Plan.</li> <li>• To ensure the own contribution (cash or kind) is made before the last instalment of loan is released.</li> <li>• To ensure the repayment of loan as per the approved repayment schedule.</li> <li>• To adhere to the terms and conditions laid down in the Loan Agreement.</li> <li>• To ensure all the financial transactions are made electronically/ digitally.</li> </ul>
Loan Appraisal Committee	<ul style="list-style-type: none"> <li>• To scrutinise and process the Loan Application and Business Plan as per the Revolving Fund Guidelines.</li> <li>• To advise and assist the Borrowing Entity in preparing the Disbursement Schedule and Repayment Schedule.</li> <li>• To forward the approval / rejection to the Executive Committee of the VSS for necessary action.</li> <li>• To ensure that the Loan Application and the Business Plan is scrutinised and forwarded to the Executive Committee within 3 days from receipt of the same from the Borrowing Entity.</li> </ul>
Executive Committee of the VSS	<ul style="list-style-type: none"> <li>• To appraise the VSS members about the availability of the Revolving Fund and its guidelines for IGA.</li> <li>• To ensure proper utilization of Revolving Fund following the Operational Guidelines of the RF.</li> <li>• To constitute the Loan Appraisal Committee and record the same as proceedings in a resolution of the EC.</li> <li>• To open and maintain a separate account for the operation of RF.</li> <li>• To assess the loan worthiness of the Borrowing Entity by examining its financial case history for any previous default before final sanction and release of loan amount.</li> <li>• To ensure that the loan is productively used for the same purpose as per the approved Business Plan.</li> <li>• To record the approval/rejection of the loan application in the proceedings of its meeting.</li> </ul>

	<ul style="list-style-type: none"> <li>• To keep adequate stock of loan application, business plan, loan agreement forms etc. for the Borrowing Entities to access RF.</li> <li>• To sanction the loan from the RF within stipulated time frame as per the RF Operational Guidelines.</li> <li>• To monitor the utilisation of loan amount and the own contribution sanctioned to the Borrowing Entities for IGA.</li> <li>• To monitor and ensure the disbursement and repayment of the loan sanctioned for any defaults.</li> <li>• To invest the surplus Revolving Fund as term deposits or in flexi- accounts in the same bank having RF account.</li> <li>• To appraise the General Body of the VSS about the status of RF and loans granted and recovered in the GB meeting.</li> <li>• To ensure overall management of the RF, proper documentation and regular audits.</li> <li>• To submit MPR on utilisation of RF to FMU along with details of default.</li> </ul>
<p>p-NGO Team Members and Animators</p>	<ul style="list-style-type: none"> <li>• To facilitate the sensitization of the Members of Executive Committee of VSS and Loan Appraisal Committee about the Operational Guidelines on Revolving Fund.</li> <li>• To facilitate the preparation of Loan Application, Business Plan and other documents required to avail loan from RF.</li> <li>• To orient the Borrowing Entities on the opportunities available in various income generating activities.</li> <li>• To assist the Loan Appraisal Committee in selection and approval process of loan application by the Borrowing Entities.</li> <li>• To assist the Treasurer of the Executive Committee of the VSS for maintaining of all records related to management of Revolving Fund.</li> <li>• To engage with market players and to support the community members on market linkage.</li> <li>• To support the Loan Appraisal Committee and the Executive Committee of the VSS on financial management and documentation.</li> <li>• To support in preparation of the MPR at the VSS and the FMU levels.</li> <li>• To support the Loan Appraisal Committee as and when requested by them.</li> <li>• To make routine follow up of the loan taken for IGA and its disbursement and repayment.</li> <li>• To assist the FMU and DMU in conduct of periodical Audit of Revolving Fund.</li> </ul>

FMU	<ul style="list-style-type: none"> <li>• To build the capacity of EC members of the VSS, Animators, Foresters and Forest Guards on RF management.</li> <li>• To ensure proper utilization of Revolving Fund following the Operational Guidelines of the RF by the VSS.</li> <li>• To review and monitor sanctions, disbursements and repayments of loan at the VSS level</li> <li>• To facilitate the operation and management of RF at the VSS Level including the preparation of business plan, sanction of loan etc.</li> <li>• To facilitate the market linkages for the products of the potential IGAs.</li> <li>• To extend necessary support to VSSs in regular monitoring the financial management and default management of RF.</li> <li>• To document the processes, achievements, success stories and issues related to RF management for the FMU.</li> <li>• To resolve issues related to defaults and failures of IGA and RF Management.</li> <li>• To resolve the any conflicts related to approval of Revolving Fund at the VSS Level.</li> <li>• To prepare and submit MPRs to DMU on the status of fund, IGA, benefits etc.</li> <li>• To upload monthly the information related to Revolving Fund of the FMU in the IMS Portal of OFSDP.</li> </ul>
DMU	<ul style="list-style-type: none"> <li>• To build up the capacity of SMSs, p-NGO team, FMU Coordinators and FMU Chiefs on RF management.</li> <li>• To review and monitor the FMU- wise sanctions, disbursements and repayments of loan on a monthly basis and submit relevant MPRs to PMU.</li> <li>• To facilitate in identifying IGA opportunities and linkage with banks for the RF operation etc.</li> <li>• To extend necessary technical and managerial support to VSSs and FMUs in monitoring the financial management and default management of RF.</li> <li>• To facilitate the market linkages for the products of the potential IGAs.</li> <li>• To document the processes, achievements, success stories and issues related to RF management.</li> <li>• To resolve issues related to defaults and failures of IGA and RF Management.</li> <li>• To prepare and submit MPRs to DMU on the status of fund, IGA, benefits etc.</li> <li>• To upload monthly the information related to Revolving Fund of the FDMU in the IMS Portal of OFSDP.</li> </ul>

<p>PMU</p>	<ul style="list-style-type: none"> <li>• To prepare and disseminate the provisions of Operational Guidelines for Revolving Fund.</li> <li>• To make the provision for RF in Annual Budget and ensure its timely release to the DMU.</li> <li>• To supervise the utilization of Revolving Fund and develop the operational mechanism for the financial management.</li> <li>• To monitor and facilitate the required changes in the guidelines over period of time.</li> <li>• To develop the training module for different capacity building themes for all stakeholders and facilitate the rolling out of these plans related to the utilization of RF.</li> <li>• To prepare MPR and QPR of the RF.</li> <li>• To facilitate the conduct of statutory audit of the Revolving Fund.</li> <li>• To ensure and monitor the monthly uploading of information related to Revolving Fund of the FDMU in the IMS Portal of OFSDP.</li> <li>• To monitor the optimal utilisation of the Revolving Fund at all levels.</li> </ul>
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## List of Appendices

1.	Format for Loan Application	Appendix – 1
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4.	Format for Sanction of Business Plan for IGA	Appendix – 4
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**Appendix-1**

**Application form for Sanction of Loan from VSS Revolving Fund**

**Under OFSDP-II**

(For submission by SHG/CIG/PoP to VSS)

Date:

To,  
The President ....., VSS

**Sub: Request for sanction of Loan from VSS Revolving Fund under OFSDP-II.**

Madam / Sir,

I/We the following members of.....(name) Borrowing Entity, namely SelfHelpGroup/CIG/PoP formed on dated.....and members of .....VSS of Village.....request you to kindly sanction an amount of Rs..... (Rupees.....) from VSS Revolving Fund (OFSDP-II) for undertaking.....(Name of Income Generation Activity) for a period of.....(months), starting from.....month.....Year.....with.....(no. of instalments). The loan may be credited to the Bank Account no. \_\_\_\_\_ IFSC Code \_\_\_\_\_ Bank Name \_\_\_\_\_ .

The detailed Business Plan of the proposed activity is attached herewith for your kind information and consideration. It includes the Repayment Schedule and Disbursement Schedule of the financial resources for undertaking the proposed IGA.

I am/We are not defaulter in loan repayment in any Bank or Financial Institutions.

We all will be obliged if the fund is sanctioned from VSS Revolving fund, OFSDP-II for the proposed business.

Yours Sincerely,

Encl: As above

(President/ Secretary of Borrowing Entity)

Signature/LTI

Name & Signature/ Left Thumb Impression of all members:

- |    |     |
|----|-----|
| 1. | 8.  |
| 2. | 9.  |
| 3. | 10. |
| 4. | 11. |
| 5. | 12. |
| 6. | 13. |
| 7. | 14. |

**Enclosures:**

Details of Loan Applied for:

Total amount of Business Transaction as per Business Plan: Rs. ....

Loan amount 80% of the total amount: ..... Rs.....

Own contribution 20% of total amount: Rs. .... (cash) and Rs. ....

..... (in kind)

**Disbursement Schedule** (add more rows if required)

S. No.	Installment No.	Item of work to be completed	Own contribution (20%)	Loan component (80%)	Remarks
1	I				
2	II				
3	III				
4	IV				
5	V				
6	VI				

**Repayment Schedule** (add more rows if required)

S. No.	Instalment No.	Loan Amount Paid				Penalty if any (1 % of the loan amount )		Remarks
		Principal	Interest	Total	Date	Date of Payment	Amount	
1	I							
2	II							
3	III							
4	IV							
5	V							

## Appendix-2

### Business Plan Format for Borrowing Entity

#### I. General Information

1. Name of the Borrowing Entity \_\_\_\_\_
2. Name of the VSS/ \_\_\_\_\_
3. VSS Code \_\_\_\_\_
4. Address of the Borrowing Entity \_\_\_\_\_  
\_\_\_\_\_
5. Category and no. of members to be involved in the IGA: General / SC / ST / POPs \_\_\_\_\_
6. No. of members to be involved in VSS level IGA: \_\_\_ Male \_\_\_ Female \_\_\_ Others \_\_\_ Total \_\_\_
7. Name of the Proposed IGA Activity: \_\_\_\_\_
8. Location of the proposed Activity: \_\_\_\_\_
9. Past experience of the Borrowing Entity in similar activity. (Yes/No): (No of Years) \_\_\_\_\_
10. Special Trainings required related to the activity, If any: \_\_\_\_\_

#### II. Details of the Proposed Project

##### A. FIXED CAPITAL

##### 1. Land and Building

Plinth Area: \_\_\_\_\_ Own/Lease/Rent: \_\_\_\_\_ Total Value for land \_\_\_\_\_

Community Hall

SHG building

VSS own Building.

##### 2. Machines and Equipment

Sl.No	Description	Unit Required	Unit Cost	Total Value
	<b>Total</b>			

##### 3. Other Fixed Assets (Fixture and furniture)

Sl. No	Description	Unit Required	Unit Cost	Total Value
	<b>Total</b>			

## B. Working Capital:

### 1. Raw Materials

Assumption:

- (a) 1 person can collect \_\_\_\_\_ Kgs of \_\_\_\_\_  
(Name of the product) in a day \_\_\_\_\_
- (b) Average no. of days required for the IGA in a season \_\_\_\_\_
- (c) Total no of Members will collect \_\_\_\_\_ Kgs or Quintals

Sl.No	Items	Unit Required / kgs	Unit Cost per Kg	Total Value
1				
2				
3				
4				
	<b>Total</b>			

### 2. Utilities (Add Rows if required)

Sl.No	Particulars	Source	Cost	Total Value
1	Electricity			
2	Administrative expenses			
3				
	<b>Total</b>			

### 3. Manpower (Add Rows if required)

Sl.No	Particulars	Unit required	Unit Cost	Total Value
1	Honorarium to members for Management, sorting, grading etc.			
2	Training and skill building.			
3				
	<b>Total</b>			

### 4. Selling and Distribution Expenses (Add Rows if required)

Sl.No	Particulars	Unit required	Unit Cost	Total Value
1	Transportation			
2	Labour Cost (packing and transport)			
	<b>Total</b>			

### 5. Administrative Expenses (Add Rows if required)

Sl.No	Particulars	Unit required	Unit Cost	Total Value
1	Stationery and other misc.			
2	Racks			
3	Packaging Materials			
4	Printing cost			
	<b>Total</b>			

### C. Total Cost of the Project (A+B) \_\_\_\_\_

1	Own Contribution (in Rs.)	
2	Required Loan (in Rs.)	
3	Source(s) of Loan	
4	Period of Loan (in months)	
5	No. of instalments of repayment of Loan	
	<b>Total</b>	

### D. Production/ Sale Programme.

Sl.No	Items	Month	Quantity to sell	Unit Cost / Kg	Total Value
1					
2					
3					
	<b>Total</b>				

### E. Profitability Projections

Total Value of D	Total Value of C	Gross Profit (D-C)

### III. Additional Information:

#### 1. Market linkage

Target for Bulk Marketing/ Direct Selling:

Contract Terms (If any) :

#### 2. Processing Details.

Steps for processing of raw materials:

Skill and Capacity building required:

Technical service Provider (If any):

**3. Support service required.**

**Disbursement Schedule (Add Rows if required):**

SI No.	Installment No.	Item of work to be completed	Own contribution (20%)	Loan component (80%)	Remarks
1	I				
2	II				
3	III				
4	IV				
5	V				
6	Vi				

**Repayment Schedule (Add Rows if required):**

S. No.	Instalment No.	Loan Amount Paid				Penalty if any (1 % of the loan amount )		Remarks
		Principal	Interest	Total	Date	Date of Payment	Amount	
1	I							
2	II							
3	III							
4	IV							
5	V							

**Submitted by:**

**Signature/ Left Thumb Impression and Name:**

**Secretary**

**President**

**Animator**

**PNGO**

## Appendix: 3

### Loan Sanction Format

Name of the Borrowing Entity: \_\_\_\_\_

Loan Applied to VSS (name): \_\_\_\_\_

Code of the VSS: \_\_\_\_\_

Details of the Proposed LOAN: \_\_\_\_\_

Brief Description of the Purpose of the Loan:		
Total Project Cost:	Fixed Cost:	Variable Cost:
Total Loan Amount Applied for :		
Source of funding the Project :	Source: Amount:	
Proposed repayment period (in Months) as per the BDP:		
List of Documents Attached (please Tick):	1. Loan Application	
	2. Business Plan	
	3. Resolution of VSS for Approval / Rejection	
	4. Any Other	

### Disbursement Schedule

Sl No.	Instalment No.	Item of work to be completed	Own contribution (20%)	Loan component (80%)	Remarks
1	I				
2	II				
3	III				
4	IV				
5	V				
6	VI				

S. No.	Instalment No.	Loan Amount Paid				Penalty if any (1 % of the loan amount )		Remarks
		Principal	Interest	Total	Date	Date of Payment	Amount	
1	I							
2	II							
3	III							
4	IV							
5	V							

Loan Sanctioned / Rejected :

Remark:

Loan Approved By: \_\_\_\_\_

Date: \_\_\_\_\_

(Name and Designation of the Executive Committee Members.)

- |         |          |
|---------|----------|
| 1. .... | 8. ....  |
| 2. .... | 9. ....  |
| 3. .... | 10. .... |
| 4. .... | 11. .... |
| 5. .... | 12. .... |
| 6. .... | 13. .... |
| 7. .... | 14. .... |

**Appendix: 4**

**Business Plan Sanction Format for IGAs**

Name of the Borrowing Entity: \_\_\_\_\_

SHG/CIG/Poorest of the Poor: \_\_\_\_\_

BDP Applied to VSS: \_\_\_\_\_

VSS Code: \_\_\_\_\_

Location of the Proposed Activity \_\_\_\_\_

Past experience of the Group in the similar activity, if any \_\_\_\_\_

**Details of the Proposed Business plan:**

Brief Description of the Business Plan:		
Total Project Cost:	Fixed Cost	Variable Cost
Rs.	Rs.	Rs.
Sources of funding for the	Loan Component (RF)	Own Contribution
Name of the IG Activity for which loan application is submitted		
Total No. of Beneficiaries to be involved in the IGA:		
No of Poorest of poor to be benefited:		
USP of the Project		

Loan Sanctioned / Rejected :

Remark:
---------

Loan Approved By: \_\_\_\_\_

Date: \_\_\_\_\_

(Name and Designation of the Executive Committee Members.)

- |         |          |
|---------|----------|
| 1. .... | 8. ....  |
| 2. .... | 9. ....  |
| 3. .... | 10. .... |
| 4. .... | 11. .... |
| 5. .... | 12. .... |
| 6. .... | 13. .... |
| 7. .... | 14. .... |

**Appendix: 5****Checklist for Evaluating the eligibility of Borrowing Entity (BE)  
for availing Loan from the Revolving Fund****Details of the Proposed Business plan:**

<b>Name of VSS</b>		<b>VSS Code</b>			
<b>Name of BE</b>		<b>(Tick as required)</b>			
<b>S. No.</b>	<b>Criteria for Selection of BE by the LAC</b>	<b>Yes</b>	<b>No</b>	<b>NA</b>	<b>Remarks (if any)</b>
1	BE belongs to the same village and as the VSS.				
2	BE is a member of the VSS.				
3	BE members participate actively in forest protection and functioning of the VSS.				
4	They have access to the resource.				
5	They have skill to take up IGA activities and must also be interested in joining the product cluster promoted under project.				
6	BE is of at least one year of age, having functional activities.				
7a	BE has an operational group bank account.				
7b	BE Members have valid Aadhar Cards. (copy to be enclosed in the Loan Application)				
8	BE members have resided in the village for at least last 3 years.				
9	BE has capability to invest revolving fund towards IGA profitably and refund the loan on time.				
10	BE has submitted the Loan Application with all enclosures.				
11	BE is not a defaulter in loan repayment with any bank or financial institution.				
12	BE has not availed loan from any bank/ Mission Shakti/ Odisha Livelihood Mission.				
13	In case if the BE is a POP, then its age is between 25 to 60 years.				
14	BE has provided the guaranty from two reliable members of the VSS.				

	Loan Application recommended for Approval/ Rejection	If rejected, mention the serial no. for which rejected.			
	Proposal forwarded by Loan Appraisal Committee				
S. No.	Name of Member	Designation			Sign/ LTI
1					
2					
3					
4					
5					
	Loan Application Approved/ Rejected	If rejected, mention the serial no. for which rejected.			
	Decision by Members of Executive Committee				
S. No.	Name of Member	Designation			Sign/ LTI
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					

## Appendix: 6

**To be printed in stamp paper of Rs. 10/- (based on the respective Stamp Act applicable)**

### LOAN AGREEMENT

This Loan Agreement (this "Agreement"), is made on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date")

Between:

Name of the (known as Borrowers) \_\_\_\_\_, VSS located at \_\_\_\_\_  
\_\_\_\_\_ [Address] ,

and

Name of the (known as lender) \_\_\_\_\_, located at \_\_\_\_\_  
\_\_\_\_\_ [Address]

THIS AGREEMENT made and entered into BETWEEN \_\_\_\_\_ VSS & - \_\_\_\_\_ VSS Code hereinafter called "the Lender" AND \_\_\_\_\_ hereinafter called "the Borrower" and reference to the parties hereto shall mean and include their respective heirs, executors, administrators and assigns;

WHEREAS the Borrower is in need of funds and hence has approached the Lender to lend him/ her Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only) for a period of \_\_\_\_\_ months

The Principal amount of Loan is Rs. \_\_\_\_\_ with interest @ 6% p.a.

AND WHEREAS the Lender has agreed to grant a loan to the Borrower, with interest, as the Lender and the Borrower have known each other for several years;

AND WHEREAS the parties hereto are desirous of recording the terms and conditions of this loan in writing;

NOW THIS AGREEMENT WITNESSETH and it is hereby agreed by and between the parties hereto as under:-

1. The Borrower hereto, requiring money, has requested the Lender to give him/her a loan of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only) with interest @ \_\_\_\_\_ 6 % p.a. (simple interest) to enable him to do the Income Generating Activities, to which the Lender has agreed with based on the business plan.

2. The loan is required by the Borrower for a period of \_\_\_\_\_ month, commencing from \_\_\_\_\_ (Starting date) and terminating on \_\_\_\_\_ (End date).

3. The Borrower hereby agrees and undertakes to return the loan of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only), with simple interest of \_\_\_\_\_ % p.a. within the aforesaid period of \_\_\_\_\_ months and, gives his personal guarantee for the same.

4. The terms and conditions of this Agreement are arrived at by the mutual consent of the parties hereto.

5. That the borrower is known to the Lender as a Business entity who just wanted to use the amount of Loan for Business best known to the borrower.

6. Violation of any terms and conditions by the Borrowing Entity shall amount to Breach of Trust and it shall be liable to refund the entire amount of loan and pay a penal interest of 2% (Simple Interest) of the loan amount in every case of such violation. The decision of the DMU Chief in such a case shall be final.

7. As Security Deposit against the amount provided as per abovementioned details the borrower without any pressure and out of his own will has provided the followings:

Blank Cheque vide Cheque no. \_\_\_\_\_ of \_\_\_\_\_ Bank which is presently dated respectively as \_\_\_\_\_. This may be used after the loan period as per the terms mentioned above. The borrower undertakes along with this that he will never complain to bank, police or other authority that these cheques were lost or fraudulent. Also that the borrower legally undertakes that the signature/LTI made is correct and he will not change the bank signature and if he does so then he will provide us valid replacement cheque immediately;

All the above information provided is true and verified by both the parties and for the truthfulness, the parties will be responsible.

IN WITNESS WHEREOF the parties hereto have set and subscribed their respective hands the day and year first hereinabove written.

SIGNED AND DELIVERED by the Within- named Lender in the presence of witness.

**Disbursement Schedule**

SI No.	Installment No.	Item of work to be completed	Own contribution (20%)	Loan component (80%)	Remarks
1	I				
2	II				
3	III				
4	IV				
5	V				
6	Vi				

**Repayment Schedule**

S. No.	Instalment No.	Loan Amount Paid				Penalty if any (1 % of the loan amount )		Remarks
		Principal	Interest	Total	Date	Date of Payment	Amount	
1	I							
2	II							
3	III							
4	IV							
5	V							

Witness

Name: .....  
 Address .....  
 Signature/ LTI .....

VSS (Member Secretary)

Name: .....  
 Address .....  
 Signature/ LTI .....  
 Borrowing Entity (President / Secretary)  
 Name: .....  
 Address .....  
 Signature/ LTI .....

**Appendix:7**

**Money Receipt towards loan sanctioned**

I/We,.....,President &....., Secretary of ..... Borrowing Entity, namely.....Self Help Group/CIG/PoPdo hereby acknowledge the receipt of loan of Rs..... (Rupees in words ) ..... from .....VSS at an Simple Interest.....(%per annum)for a Period of.....months, vide Cheque No..... dated ..... /Transaction Id No. ...., dated.....as detailed below in the given repayment schedule.

**Repayment Schedule** (add more rows if required)

S. No.	Instalment No.	Loan Amount Paid				Penalty if any (1 % of the loan amount )		Remarks
		Principal	Interest	Total	Date	Date of Payment	Amount	
1	I							
2	II							
3	III							
4	IV							
5	V							

**Disbursement Schedule** (add more rows if required)

SI No.	Installment No.	Item of work to be completed	Own contribution (20%)	Loan component (80%)	Remarks
1	I				
2	II				
3	III				
4	IV				
5	V				
6	VI				

Signature/ Left Thumb Impression:

President.....

Secretary.....

Date:.....

Date:.....

## NOTES





## **Odisha Forestry Sector Development Project Phase-II**

Odisha Forestry Sector Development Society  
Forest & Environment Department, Government of Odisha

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SFTRI Campus, Ghatikia, Bhubaneswar-751 029