

Startup Enterprise Credit Fund, 2079 (2023)

Highlights



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As per the commitment made in the budget of 2021/22, the Ministry of Industry, Commerce and Supply issued “Startup Enterprise Credit Fund Procedure, 2079” on 22 February 2023. Highlights of the procedures are summarized below:

1. What is Startup Enterprise?

“Startup Enterprise” means an enterprise or business performing supply of goods, services, process development, production, operation, and distribution applying creative/innovative thinking and which is operating commercially and having the possibility of growth.

2. How is the fund established?

The amount allocated by the Ministry of Industry, Commerce & Supply (MoICS) for start-up enterprises will be made available to Nepal Rastra Bank (NRB) from time to time and NRB will keep the amount in a separate account. The amount will remain as Startup Enterprise Credit Fund.

3. How much credit is available and what is its cost?

Loans shall be provided at an interest rate of a maximum of three percent (3%) and the maximum credit amount shall be **NPR 2.5 million** per entrepreneur.

4. What are the eligibility criteria of startup enterprise or business for such credit?

For the purpose of enterprise or business credit facility, those enterprises or businesses not exceeding seven years from the year of establishment or operation must meet at least three of the criteria listed from clauses (a) to (d) and two clauses from (e) to (g).

- a) Paid-up capital not exceeding NPR 5 million,
- b) Annual gross income not exceeding NPR 5 million,
- c) Fixed Capital (excluding land and building) not exceeding NPR 20 million,
- d) Full-time workers not exceeding ten employees,
- e) Using information technology and creative approach to solving the problem faced by the consumer in the production or distribution process of a product or service.
- f) Minimum 5% of the total annual expenditure is spent on product development, market development or research and development.
- g) Enterprise has either registered or is eligible for the registration of intellectual property such as patent or design or software license.

5. What are the exclusions on the type of startup enterprise or business for credit?

An enterprise or business shall not be deemed to be a start-up enterprise for the purpose of obtaining a loan under the startup enterprise loan scheme if:

- a) Not registered under the prevailing law of Nepal,
- b) Importing goods or services from abroad without using information technology and innovative thinking,
- c) Formed by de-merging an existing company or business or operating as a subsidiary company or firm,
- d) Blacklisted in the Credit Information Center or has been managed by such blacklisted person,
- e) Not obtained Permanent Account Number (PAN) for tax purposes,
- f) As a holding company, under the Industrial Enterprises Act, 2076, the enterprise is classified as a medium or large-scale industry, and
- g) Other matters as prohibited by applicable law.

6. What are the areas which can be operated as start-up enterprise?

The following are the areas that can be operated as start-up enterprises:

- a) Based on agriculture or livestock,
- b) Based on forest (herbs, forest production),
- c) Tourism promotion or entertainment and general hospitality,
- d) Based on science, technology, communication or information technology,
- e) Related to human health services,
- f) Related to education or educative learning,
- g) Related to safe and convenient transportation services,
- h) Related to infrastructure development,
- i) Related to automobiles,
- j) Related to improvement in traditional practices, production and provider of services,
- k) Related to research and development of mines and minerals,
- l) Assist in making household or daily lifestyle simple, convenient and safe,
- m) Food production or processing,
- n) Waste management or environment related.

7. How to apply for the start-up enterprise or business credit?

Start-up enterprise execution committee, formed by the Department of Industries (DOI), shall call for applications from those eligible start-up enterprises by giving a public notice through electronic means or daily newspaper for applying within 21 days of such notice.

8. Evaluation, selection and recommendation of applications

Start-up enterprise execution committee, after the evaluation of the application received, shall recommend shortlisted start-up enterprises and list them on the DOI’s website within 30 days of receiving the application.

DOI shall notify NRB and the shortlisted start-up enterprise regarding the listing of recommendations. NRB shall also communicate with the bank responsible for the disbursement of credit, and the recommended enterprise shall contact the bank within 7 days. Failure to contact on time shall result in the cancellation of the enterprise's application automatically and the next best alternative enterprise shall be given priority.

9. Procedure for credit disbursement

Credit shall be made in two installments whereas fifty percent of the approved loan will be disbursed in the first installment. The disbursing bank shall enter into a contract within 3 days from the date of approval obtained from NRB and shall disburse the amount within 3 days of the contract with the entrepreneur. Further, the bank shall mention terms of loan repayment along with the principal and interest amount, the due date of installment and related procedures. The enterprise shall apply for a second installment within 6 months of receiving the first installment amount.

10. Are any collateral required to avail the credit?

The approved start-up enterprise/business shall itself be collateral for the loan. The disbursing bank is liable to insure the credit with Deposit and Credit Guarantee Fund and the charges relating to such insurance shall be reimbursed by NRB.

11. Are any other additional charges applicable?

The bank that is providing the loan may charge up to a maximum 0.1% of the loan amount as a service charge and 0.5% of repaid principal amount after a contractual agreement between the parties.

12. Availability of mentors

The committee in order to motivate and help such entrepreneurs shall list the roster of subject-specific mentors on the website. The qualification, remuneration, and services offered by such mentors will be according to the specification of the committee. Entrepreneurs may use the necessary expertise of such mentors by bearing the cost of service as specified by the committee.

13. Responsibilities of entrepreneurs

- Use the loan only for the purposes mentioned in the proposal.
- Repay the loan principal and interest on time as mentioned in the loan agreement.
- Provide required information and data to the bank and committee during the inspection.
- Submit annual progress report to secretariat of committee and loan providing bank.
- Put up a board reading "Enterprise receiving concessional startup loan provided by Government of Nepal" visible to the public in the project area.

- Follow instructions provided by the bank and committee.

14. Monitoring and reporting

The loan providing bank will monitor the work of such an enterprise to determine whether it is in line with the purpose and agreement by following the instructions of NRB. The report of such monitoring should be submitted within seven days to the secretariat of the committee. The enterprise should cooperate for the monitoring process. If it is found that any business is done or caused to be contrary to this procedure, the bank assigned in monitoring may suggest and provide instructions to the entrepreneur to correct it within the given time period. If necessary corrections aren't made within the given time period, the bank shall instruct such an entrepreneur to pay the loan principal and interest amount immediately. If under such instruction, the entrepreneur doesn't repay the loan, then they shall be blacklisted according to law. Further, the entrepreneur may furnish an annual report containing progress, operating state, problems faced, and solutions expected from specific government organisation or other entities.

15. Reward for excellence

Approved start-up enterprises shall be rewarded by the ministry for outstanding performance and scaleup upon recommendation by DOI.

16. Application form

The entrepreneur shall furnish an application in the prescribed format containing the following details:

- A. Introduction of applicant
 - This section contains details like the nature of the entity, details of partners/directors.
- B. Details about the proposed project
 - Introduction to project (not exceeding 200 words)
 - Objective of project (not exceeding 50 words)
 - Area of enterprise
 - Estimated cost and accrued cost to date
 - Analysis of the project
- C. Other documents to be submitted along with the application
 - A copy of the firm/company or enterprise registration
 - A copy of the PAN certificate
 - A copy of the tax clearance certificate of the previous financial year
 - A copy of the citizenship of the authorized representative of the firm/ company or enterprise.

17. Framework and Basis of Assessment of Proposed Project

The assessment of the proposed project is made under two criteria i.e., objective assessment and subjective assessment. The objective assessment is done for 10 criteria and carries 90 marks and there are 3 criteria for subjective assessment carrying 10 marks.

right people
right size
right solutions

PKF T R Upadhy & Co.

124, Lal Colony Marg, Lal Durbar, Kathmandu, Nepal

Telephone: + 977 1 4410927, +977 1 4420026

Email: trunco@ntc.net.np

Website: pkf.trunco.com.np