

CREDIT GUARANTEE SCHEME FOR PM SVANIDHI

Operational Guidelines

(Updated till October 13, 2020)

I. INTRODUCTION

Ministry of Housing and Urban Affairs (MoHUA), Government of India, had implemented a scheme titled "**PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi)**", for facilitating credit to Street Vendors. The scheme has the following objectives:

- (i) To facilitate working capital loan up to ₹10,000; (On timely or early repayment, the vendors will be eligible for the next loan with an enhanced limit of a maximum of 200% of the earlier loan, subject to a ceiling of ₹20,000)
- (ii) To incentivize regular repayment; and
- (iii) To reward digital transactions.

The scheme will help formalize the street vendors with above objectives and will open up new opportunities to this sector to move up the economic ladder.

Small Industries Development Bank of India (SIDBI) will be the Implementation Partner (IP) of MoHUA for scheme administration and would leverage the network of lending Institutions including the SCBs, RRBs, SFBs, Co-operative Banks, NBFCs & MFIs for scheme implementation.

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) would be administering the **Credit Guarantee Scheme for PM SVANidhi**, for the credit facilities sanctioned by the Lending Institutions under "PM SVANidhi".

II. SCHEME DETAILS

1. Name of the Scheme

The Scheme for lending to street vendors by the Member Lending Institutions is named as "**PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi)**" and the credit product for which guarantee would be provided under the Scheme shall be named as '**Credit Guarantee Scheme for PM SVANidhi**' (*hereinafter referred to as "Scheme"*)

2. Purpose of the Scheme:

To provide guarantee coverage under **Credit Guarantee Scheme for PM SVANidhi** to the Member Lending Institutions (MLIs) to facilitate sanction of working capital loan up to ₹10,000 or any amount as per PM SVANidhi. The Scheme has a provision of Graded Guarantee Cover for the loans sanctioned, on portfolio basis, which is being administered by CGTMSE, as indicated below:

- a) First Loss Default (Up to 5%): 100%
- b) Second Loss (beyond 5% up to 15%): 75% of default portfolio
- c) Maximum guarantee coverage will be 15% of the year portfolio

3. Date of commencement

The Scheme has come into force from July 02, 2020.

4. Definitions

For the purposes of this Scheme –

- i. **"Scheme"** means the Credit Guarantee Scheme for PM SVANidhi.
- ii. **"MoHUA"** means Ministry of Housing and Urban Affairs, Government of India
- iii. **"CGTMSE"** or **"Trust"** means the Credit Guarantee Fund Trust for Micro and Small Enterprises set up by Government of India and SIDBI with the purpose of guaranteeing credit facility(ies), extended by the Member Lending Institution to the eligible borrowers.
- iv. **"Street Vendors"** means as defined under PM SVANidhi Scheme.
- v. **"MLI"** means Member Lending Institution, which further means Lending Institutions becoming Member of CGTMSE.
- vi. **"Lending institution(s)"** or **"Member Lending institution(s) (MLIs)"** means Scheduled Commercial Banks, Regional Rural Banks (RRBs), Small Finance Banks (SFBs), Cooperative Banks, Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs) & SHG Banks established in some States/UTs e.g. Stree Nidhi etc. or any other institution(s) as may be directed by the Govt. of India from time to time. The Trust may, on review of performance, remove any of the lending institution from the list of eligible institution.
- vii. **"Eligible borrower"** means street vendors to which credit facility has been provided by the lending institution under PM SVANidhi.
- viii. **"Credit facility"** means any financial assistance extended by the lending institution to the eligible borrower.
- ix. **"Portfolio"** means portfolio created on annual basis ending with the Financial Year and eligibility of claim will be based on such annual portfolio.
- x. **'Guarantee Cover'** means maximum cover available per eligible borrower of the amount in default in respect of the credit facility extended by the lending institution.
- xi. **"Material date"** means the date on which the portfolio has been lodged by the MLIs and approved by CGTMSE.
- xii. **"Non-Performing Assets (NPA)"** means an asset classified as a non-performing based on the instructions and guidelines issued by the Reserve Bank of India from time to time.
- xiii. **"Amount in Default"** means the principal amount outstanding in the account(s) of the borrower in respect of credit facility as on the date of the account becoming NPA, or the date of lodgment of claim application whichever is lower or such other date as may be specified by Trust for preferring any claim against the guarantee cover subject to a maximum of amount guaranteed.

- xiv. **‘Guarantee Cover’** means maximum cover available per eligible borrower of the amount in default in respect of the credit facility extended by the lending institution. For this scheme the guarantee coverage is (a) First Loss Default (Up to 5%): 100% and (b) Second Loss (beyond 5% up to 15%): 75% of default portfolio.
- xv. **“Primary Security”** in respect of a credit facility shall mean the assets created out of the credit facility so extended.
- xvi. **“Interest Rate”** for a lending institution means the rate so declared by that lending institution from time to time as per Reserve Bank of India guidelines based on which interest rate applicable for the loan will be determined.
- xvii. **“Tenure of Guarantee Cover”** means the maximum period of guarantee cover from the guarantee avilment date by the lending institution, which shall run through the agreed tenure of the credit facility between borrower and lending institution basis the assessment of debt serviceability.

III. SCOPE AND EXTENT OF THE SCHEME

5. Eligible Member Lending Institutions (MLIs)

All Scheduled Commercial Banks, Regional Rural Banks (RRBs), Small Finance Banks (SFBs), Cooperative Banks, Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs) & SHG Banks established in some States/UTs e.g. Stree Nidhi etc.

6. Eligible Borrowers

The Scheme is available to all eligible street vendors engaged in vending in urban areas as on or before March 24, 2020. The eligible vendors would be as per following criteria:

- (i) Street vendors in possession of Certificate of Vending / Identity Card issued by Urban Local Bodies (ULBs);
- (ii) The vendors, who have been identified in the survey but have not been issued Certificate of Vending / Identity Card; Provisional Certificate of Vending would be generated for such vendors through an IT based Platform. ULBs are encouraged to issue such vendors the permanent Certificate of Vending and Identification Card immediately and positively within a period of one month.
- (iii) Street Vendors, left out of the ULB led identification survey or who have started vending after completion of the survey and have been issued Letter of Recommendation (LoR) to that effect by the ULB / Town Vending Committee (TVC); and
- (iv) The vendors of surrounding development/ peri-urban / rural areas vending in the geographical limits of the ULBs and have been issued Letter of Recommendation (LoR) to that effect by the ULB / TVC.

7. Guarantees by the Trust

Subject to the other provisions of the Scheme, the Trust undertakes, in relation to credit facilities extended to an eligible borrower from time to time by an eligible institution, which has entered into the necessary agreement for this purpose with the Trust, to provide a guarantee on portfolio basis for the said credit facilities. The Trust reserves the discretion to accept or reject any

proposal referred by the lending institution which otherwise satisfies the norms of the Scheme.

8. Credit facilities eligible under the Scheme

The Trust shall provide guarantee cover on portfolio basis for credit facilities extended by Member Lending Institution(s) to eligible street vendors on or after executing an Undertaking with the Trust. All loans sanctioned in a month can be pooled together and lodged for guarantee as a portfolio. Unsecured loan provided to the borrower under this Scheme will be eligible for the guarantee cover from CGTMSE. Risk weight for this portfolio will apply as per the extant RBI guidelines.

Further as on the material date,

- (i) The business or activity of the borrower for which the credit facility was granted has not ceased; and / or
- (ii) The credit facility has not wholly or partly been utilized for adjustment of any debt deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from the Trust.

9. Credit facilities not eligible under the Scheme

The following credit facilities shall not be eligible for being guaranteed under the Scheme: -

- (i) Any credit facility in respect of which risks are additionally covered under any other Guarantee scheme to the extent they are so covered.
- (ii) Any credit facility which does not conform to PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi).
- (iii) Fraud/ Willful defaulter accounts will not be considered under the proposed scheme.

10. Undertaking to be executed by the lending institution

A lending institution shall not be entitled to a guarantee in respect of any eligible credit facility granted by it unless it has furnished an Undertaking with the Trust in such form as may be required by the Trust for covering by way of guarantee, under the Scheme all the eligible credit facilities granted by the lending institution, for which provision has been made in the Scheme.

The benefit of guarantee cover under the Scheme will be available to all the lending institutions since the launch of the scheme i.e., 2nd July 2020, irrespective of date of execution of the Undertaking to be furnished to the Trust.

11. Responsibilities of lending institution under the scheme:

- (i) The lending institution shall evaluate credit applications by using prudent banking judgement and shall use their business discretion / due diligence in selecting commercially viable proposals and conduct the account(s) of the borrowers with normal banking prudence.
- (ii) The lending institution shall closely monitor the borrower account.

- (iii) The lending institution shall safeguard the primary securities, if any, taken from the borrower in respect of the credit facility, if applicable as per PM SVANidhi.
- (iv) The lending institution shall ensure that the guarantee claim in respect of the credit facility and borrower is lodged with the Trust in the form and in the manner and within such time as may be specified by the Trust in this behalf and that there shall not be any delay on its part to notify the default in the borrowers account which shall result in the Trust facing higher guarantee claims.
- (v) The payment of guarantee claim by the Trust to the lending institution does not in any way take away the responsibility of the lending institution to recover the entire outstanding amount of the credit from the borrower.
- (vi) The lending institution shall comply with such directions as may be issued by the Trust, from time to time, for facilitating recoveries in the guaranteed account, or safeguarding its interest as a guarantor, as the Trust may deem fit and the lending institution shall be bound to comply with such directions.
- (vii) The lending institution shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of the Trust in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by the Trust. The lending institution shall, in particular, refrain from any act of omission or commission, either before or subsequent to invocation of guarantee, which may adversely affect the interest of the Trust as the guarantor.
- (viii) The issue of documentation between the lender and the borrower will be sole prerogative of the Lending Institution and CGTMSE will not insist on any documentation for availing credit guarantee.

IV. GUARANTEES

12. Guarantee Fee

No guarantee fee is charged under the scheme.

13. Extent of the Guarantee Coverage

Graded Guarantee Cover

Guarantee provided will be a portfolio level guarantee by CGTMSE. Portfolio creation would be recognised on annual basis ending with the Financial Year. All loans given by each Lender under the scheme will be considered as part of one portfolio and the guarantee coverage on the portfolio will be as following:

- 100% guarantee cover up to first 5% loss of the portfolio amount covered under the guarantee.
- 75% guarantee cover beyond 5% upto 15% loss of the portfolio amount covered under the guarantee.
- Maximum guarantee coverage will be 15% of the year portfolio

Illustration :

- (i) Out of a portfolio of Rs.100 crore, if Rs.10 crore turns into NPA, then first Rs.5 crore will be paid in full (i.e. 100 % guarantee cover on the eligible amount) and for the remaining Rs.5 crore, 75% guarantee cover on the eligible amount would be paid (i.e. Rs.3.75 crore). The total amount paid towards claim would be Rs.8.75 crore.
- (ii) Out of a portfolio of Rs.100 crore, if Rs.20 crore turns into NPA, then first Rs.5 crore will be paid in full (i.e. 100 % guarantee cover on the eligible amount) and for the remaining Rs.15 crore, 75% guarantee cover on the eligible amount (Rs.10 crore) would be paid (i.e. Rs.7.50 crore). The total claim settlement would be Rs.12.50 crore as per the graded guarantee criteria.

V. CLAIMS

14. Invocation of guarantee

Initiation of legal proceedings is not necessary given the small loan size. Lending Institutions are expected to have their own prudent recovery measures and may submit management certificate confirming that the amount due and payable to the lending institution in respect of the loan has not been paid and the dues have been classified by the lending institution as Non Performing Asset.

The Member Lending Institutions (MLIs) may invoke the guarantee in respect of credit facilities under a portfolio within a maximum period of 1 year from the NPA date, if the following conditions are satisfied: -

- a. The guarantee in respect of that credit facility was in force at the time of account turning NPA.
- b. The amount due and payable to the lending institution in respect of the credit facility has not been paid and the dues have been classified by the lending institution as Non-Performing Assets. Provided that the lending institution shall not make or be entitled to make any claim on the Trust in respect of the said credit facility, if the loss in respect of the said credit facility had occurred owing to actions / decisions taken contrary to or in contravention of the guidelines issued by the Trust.
- c. The credit facility has been recalled and the recovery measures have been initiated. However, as mentioned above, initiation of legal proceedings is not necessary.
- d. MLIs are required to invoke the guarantee once the accounts turns into NPA. MLIs to pool all the accounts in a particular quarter and lodge for claim during the next quarter.
- e. The claim should be preferred by the lending institution in such manner and within such time as may be specified by the Trust in this behalf.
- f. The Trust shall pay in one instalment 100% of the portfolio guaranteed amount (eligibility of claim will be based on annual portfolio created on annual basis ending with the Financial Year) on preferring of eligible claim by the lending institution within 30 days subject to the extant guidelines.

g. On a claim being paid, the Trust shall be deemed to have been discharged from all its liabilities on account of the guarantee in force in respect of the borrower concerned. MLIs, however, should undertake to refund any amount received from the unit after payment of full guaranteed amount by CGTMSE.

h. The lending institution shall be liable to refund the claim released by the Trust together with penal interest at the rate of 4% (at Trust's discretion) above the prevailing Bank Rate, if such a recall is made by the Trust in the event of serious deficiencies having existed in the matter of appraisal / follow-up / conduct of the credit facility or where lodgement of the claim was more than once or where there existed suppression of any material information on part of the lending institutions for the settlement of claims. The lending institution shall pay such penal interest, when demanded by the Trust, from the date of the initial release of the claim by the Trust to the date of refund of the claim.

Settlement of claims – Illustrations

NPA Scenarios on a portfolio	NPA @ 15%	NPA @ 8%	NPA @ 25%
Details	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)
Loan portfolio created	100.00	100.00	100.00
Assumed NPA %	15.00	8.00	25.00
Maximum NPA Cap under the Scheme	15%	15%	15%
<u>CGTMSE liability</u>			
100% coverage upto first 5% loss of portfolio	5.00	5.00	5.00
75% guarantee cover beyond 5% upto 15% loss of the portfolio (i.e. 75% on 5 -15% loss)	7.50	2.25	7.50
Total Claim Payable by CGTMSE	12.50	7.25	12.50

Note : In an MLI covers a portfolio of Rs.100 crore and has a portfolio loss of more than Rs.15 crore, then the eligible claim amount will be Rs.12.50 crore.

15.Appropriation of amount realized by the lending institution in respect of a credit facility after the guarantee has been invoked.

Any recovery made from the NPA portfolio against which claim has been settled by CGTMSE will be allowed to be adjusted against future claim, if any, else will be returned to CGTMSE by the concerned lending institutions.

The recovered amount, if any, shall be deposited by the lending institution with the Trust, after adjusting legal cost incurred for recovery of dues.

However, lending institutions will be required to file annual returns for 2 years after settlement of the last claim against a created portfolio in a FY about recovery made from the borrowers against which claim has been settled by CGTMSE. Amount payable to CGTMSE out of the recovery proceeds will be returned to CGTMSE after which accounts will be treated as finally settled and closed.

VI. MISCELLANEOUS

16>Returns and Inspections

The lending institution shall submit such statements and furnish such information as the Trust may require in connection with any credit facility under this Scheme.

- (i) The lending institution shall also furnish to the Trust all such documents, receipts, certificates and other writings as the latter may require and shall be deemed to have affirmed that the contents of such documents, receipts, certificates and other writings are true, provided that no claim shall be rejected and no liability shall attach to the lending institution or any officer thereof for anything done in good faith.
- (ii) The Trust shall, insofar as it may be necessary for the purposes of the Scheme, have the right to inspect or call for copies of the books of account and other records (including any book of instructions or manual or circulars covering general instructions regarding conduct of advances) of the lending institution, and of any borrower from the lending institution. Such inspection may be carried out either through the officers of the Trust or of SIDBI (in case of Institutions other than SIDBI) or any other person appointed by the Trust for the purpose of inspection. Every officer or other employee of the lending institution or the borrower, who is in a position to do so, shall make available to the officers of the Trust or SIDBI or the person appointed for the inspection as the case may be, the books of account and other records and information which are in his possession.
- (iii) Lending institutions will be required to file annual returns for 2 years after settlement of the last claim against a created portfolio in a FY about recovery made from the borrowers against which claim has been settled by CGTMSE.

17.Conditions imposed under the Scheme to be binding on the lending institution

- (i) Any guarantee given by the Trust shall be governed by the provisions of the Scheme as if the same had been written in the documents evidencing such guarantee.
- (ii) The lending institution shall as far as possible ensure that the conditions of any contract relating to an account guaranteed under the Scheme are not in conflict with the provisions of the Scheme but notwithstanding any provision in any other document or contract, the lending institution shall in relation to the Trust be bound by the conditions imposed under the Scheme.

18.Modifications and exemptions

- (i) The Trust reserves to itself the right to modify, cancel or replace the scheme so, however, that the rights or obligations arising out of, or accruing under a guarantee issued under the Scheme up to the date

on which such modification, cancellation or replacement comes into effect, shall not be affected.

- (ii) Notwithstanding anything contained herein, the Trust shall have a right to alter the terms and conditions of the Scheme in regard to an account in respect of which guarantee has not been issued as on the date of such alteration.
- (iii) In the event of the Scheme being cancelled, no claim shall lie against the Trust in respect of facilities covered by the Scheme, unless the provisions contained in Clause (i) and (ii) of Section 16 of the Scheme are complied with by the lending institution prior to the date on which the cancellation comes into force.

19. Interpretation

If any question arises in regard to the interpretation of any of the provisions of the Scheme or of any directions or instructions or clarifications or necessary changes as required from time to time given in connection therewith, the decision of the Trust / CEO of the Trust, taken in consultation with MoHUA shall be final.

20. Supplementary and general provisions

In respect of any matter not specifically provided for in this Scheme, the Trust may make such supplementary or additional provisions or issue such instructions or clarifications as may be necessary for the purpose of the Scheme.

Scheme Modification as on June 01,2022.

Scheme Period

Lending under the PM SVANidhi Scheme is extended till December, 2024. Credit Guarantee claims on all loans will be paid till March,2028.

Credit Guarantee

a. Presently, Scheme provides for guarantee coverage for 1st and 2nd loans as following:

- i. First Loss (Up to 5%):100% of default portfolio
- ii. Second Loss (beyond 5% & up to 15%): 75% of default portfolio
- iii. Maximum guarantee coverage is 15% of the year portfolio and effective guarantee coverage is 12.5% of the year portfolio.

b. **New Credit Guarantee Coverage:** For all Fresh 1st and 2nd loans (i.e., 1st and 2nd loans disbursed on or after June 1, 2022) and all 3rd loans, a revised guarantee coverage as indicated below will be applicable:

	Fresh 1st Loan		Fresh 2nd Loan		Fresh 3rd Loan	
	Portfolio	Coverage	Portfolio	Coverage	Portfolio	Coverage
First Loss	0 to 7.5%	100%	0 to 3%	100%	0 to 8%	75%
Second Loss	Above 7.5% to 20%	75%	Above 3% to 10%	75%		
Third Loss	Above 20% to 50%	50%				
Maximum Guarantee Cover	50%		10%		8%	
Effective Guarantee Cover	31.875%		8.25%		6%	

For all the loans disbursed till May 31,2022 the present credit guarantee cover would be applicable.

Scheme Modification as on September 14,2022.

As per the operational guidelines issued by MoHUA dated July 22, 2020 with respect to availing of the Credit Guarantee from CGTMSE, the Clause 14. – ‘Invocation of guarantee’ under V. – ‘Claims’ is being modified as:

*“The Member Lending Institutions (MLIs) may invoke the guarantee in respect of credit facilities under a portfolio within a maximum period of **2 years** from the NPA date. However, the final claim, if any, has to be filed on or before February 29, 2028.”*