

CREDIT GUARANTEE SCHEME FOR PM SVANIDHI

Operational Guidelines

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;
- 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 Rs.10,000 or any amount as per PM SVANidhi. The Scheme has a provision of a 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. **'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.
- x. **"Material date"** means the date on which the portfolio has been lodged by the MLIs and approved by CGTMSE.
- xi. **"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.
- xii. **"Amount in Default"** means the principal amount and interest ou standing 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.
- xiii. **'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.
- xiv. **"Primary Security"** in respect of a credit facility shall mean the assets created out of the credit facility so extended.
- xv. **"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.
- xvi. **"Tenure of Guarantee Cover"** means the maximum period of guarantee cover from the guarantee availment 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 Financial 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.

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.