

Aatmanirbhar Gujarat Sahay Yojana

Why in news?

Gujarat Chief Minister has announced a scheme called “Aatmanirbhar Gujarat Sahay Yojana”.

What does the scheme offer?

- The scheme offers a loan of up to Rs 1 lakh for a period of three years to small entrepreneurs and self-employed workers such as electricians, etc.
- It aims to cover domestic helps, vegetable vendors, construction workers, and others who have lost their incomes in the Covid-19 lockdown.
- Applicants to the scheme will need guarantors to help push their case before the lenders who will hand out Rs 5,000 crore worth of collateral-free loans.
- They will also need to be aware of the penalties in case of a default.

How will the scheme work?

- The loans will be provided to successful applicants by urban cooperative banks, district cooperative banks, and credit cooperative societies registered under the Gujarat Cooperative Act.
- These loans will be provided at an interest rate of 2%.
- The state government will bear the cost of an additional 6% interest on the “unsecured loans”.
- The applicant need not to pay either the interest or the principal amount loans for first 6 months.
- However, the loans will need to be paid back in equal instalments over the following 30 months.

When will the scheme be rolled out?

- The scheme will begin on May 21, 2020, and the lending agencies will accept applications until August 31.
- Banks and credit societies have been asked to finish all disbursements by November 15, 2020.
- The banks have been given full freedom to decide on the applications depending on their assessment of each person’s capacity to repay.
- The scheme also applies to those who have branded franchises.

What details and documents must an applicant supply?

- The application form asks for the “purpose of loan”, apart from family income and monthly expenses, and details of existing loans.
- Applicants have to provide “two guarantors” along with the details of their incomes.
- An affidavit, an acceptance letter of having taken a loan, a demand promissory note, and a loan agreement needs to be submitted.
- Other documents needed include a letter from the concerned association regarding self-employment, documents to prove that the applicant was self-employed as on January 1, 2020.
- A copy of the Aadhaar of the applicant and all members of his/her family, copy of PAN or Form-60, and copy of ration card are also needed.

What if an applicant has a pending loan?

- The existence of a continuing loan will not be a disqualification as long as the applicant is not a defaulter.
- The conditions listed for the loan state the applicant should not have an overdue loan in this bank or any other banks.

What if the applicant fails to repay the loan under this scheme?

- The loan becomes an NPA in case of default in repayment.
- The bank will have the right to take legal action against the applicant, at the cost of the applicant or the guarantor.
- A “penalty interest” of 3% will be charged from the date of default if the applicant is unable to return the loan amount.

How will the government keep a tab on repayments?

- A state-level monitoring committee headed by Additional Chief Secretary, Finance, will conduct a periodic review of the scheme.
- It will keep a watch on the performance of each bank which is part of the scheme. It will also keep a tab on NPAs.

Does the applicant need to be a member of a credit society?

- Cooperative banks have been mandated to extend loans up to 10% of their total assets.
- Gujarat government will send a proposal to the Reserve Bank of India (RBI) through the Union Finance Ministry to allow banks the freedom to lend up to 20% of their total assets.
- Cooperative banks and societies can lend money only to their members.

- All applicants will not be members, so they would be made nominal members.

How much will the government pay to the lending agencies during the 3-year period?

- The Gujarat government will reimburse the 6% interest on a quarterly basis (generally it is done annually) to the lending agencies.
- The government will also give a one-time, 2% (of the loans extended) incentive to the banks and societies for extending the loan.

Source: The Indian Express

