

## **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**

