

## **Swarojgar Credit Card (SCC) Scheme**

RPCD.PLNFS.BC.29/06.06.22/2003-04

September 26, 2003

The Chairman/Managing Director  
All Scheduled Commercial Banks

Dear Sir,

### **Swarojgar Credit Card (SCC) Scheme**

As announced by the Hon'ble Prime Minister in his address to the Nation on the Independence Day, it has been decided to introduce a new Credit facility for Fishermen, Rickshaw Owners, Self employed persons etc. A Model Scheme has since been prepared by NABARD and approved by Ministry of Finance, under the nomenclature '**Swarojgar Credit Card (SCC) Scheme**', a copy of which is enclosed. We shall be glad if you will consider introducing a suitable Swarojgar Credit Card (SCC) Scheme on the lines of the Model Scheme as per **Annexure I** at an early date.

2. Progress in issue of the SCC is required to be closely monitored and reviewed at regular intervals as under:

At Block Level : in BLBC Meetings.

At District Level: in DCC/DLRC Meetings.

At State Level : in SLBC Meetings.

Apart from the above, the progress could be reviewed at regular intervals as part of internal reviews.

3. The **monthly progress report** under the **Swarojgar Credit Card (SCC) Scheme** should be reported to **NABARD**, as per format given in **Annexure II**. Action taken by your bank in the matter may be communicated to us and to NABARD, the monitoring agency for the scheme.

4. Please acknowledge receipt.

Yours faithfully,

Sd/

**(Varughese John)**

**Chief General Manager**

**Annexure I**

### **Model Scheme for Swarojgar Credit Card**

*The scheme*

The scheme is called Swarojgar Credit Card Scheme (SCC Scheme) .

### *Objectives*

SCC Scheme aims at providing adequate and timely credit ie. working capital/ or block capital or both to small artisans, handloom weavers, service sector, fishermen, self employed persons, rickshaw owners, other micro-entrepreneurs, etc. from the banking system in a flexible, hassle free and cost effective manner. The facility may also include a reasonable component for consumption needs.

### *Participating banks*

The Scheme is to be implemented by all Commercial Banks, RRBs, State Cooperative Banks/ DCCBs/PACS, SCARDBs/PCARDBs and Scheduled Primary Cooperative Banks. The banks will have to actively market the scheme to the eligible clientele.

### *Nature of financial accommodation*

The credit facility extended under the Scheme is in the nature of a composite loan including term loan /revolving cash credit.

### *Sanction of term loan/ Fixation of working capital limit*

- The term loan will be provided for meeting the investment requirements and it will be repaid within five years in suitable installments.
- The Revolving cash credit will be fixed taking into account the operating cycle/nature of the investment and shall be fixed based on available balance after sanction of term loan.

### *Quantum of limit*

Rs. 25,000/ per borrower as composite loan. The initial investment in fixed assets and/ or working capital requirement / recurring expenditure of the borrower are to be taken as the base for fixing the limit. The working capital/ recurring expenditure limit may be in the form of a revolving cash credit and fixed as a percentage of the turnover divided by the number of operating cycles per annum. A component for consumption credit could be built in keeping in view the value of the family labour in the productive activity. The total limit would have a relationship with the projected net earning and the repayment capacity of the borrower.

### *Validity*

SCC is normally valid for 5 years subject to satisfactory operation of the account and renewed on a yearly basis through simple review process. The operations in the account should be regular.

### *Issue of cards*

- The beneficiaries under the scheme will be issued with a laminated credit card and a pass book as per specimen enclosed (Appendix). This will serve as an identity card as well as facilitate recording of the transactions on an ongoing basis. The pass book would contain the repayment schedule of the term loan also. A passport size photograph of the holder will be affixed on the card at the space provided for. The card holder would be required to produce the card and the pass book whenever he/she withdraws cash from the account.
- Self Help Groups (SHGs) can also be issued cards in their name and they will be liable jointly and severally for repayment.
- As far as possible cluster approach will be followed in implementing the scheme.
- Fees towards issue of card/processing may not exceed Rs 50/.

#### *Renewal of Working Capital limits*

- Limits will be renewed annually based on the amount credited to the cash credit account and the repayment performance in the term loan account.
- Under the Scheme, term loan component could be enhanced within the overall limit in case of need subject to satisfactory repayment performance of the borrower.
- The Revolving cash credit to the extent of working capital repaid may be renewed within the overall ceiling of Rs 25,000/ and it should be normally repaid within 12 months from the date of drawal. However, the minimum discipline expected is that applicable to cash credit accounts. Where necessary, the working capital component could be enhanced within the overall ceiling to provide for escalation in the cost of inputs, etc subject to satisfactory repayment performance.
- No drawal will be permitted if revolving cash credit remains outstanding for more than 12 months.
- The aggregate credits in the account during the 12 months period should normally be equal to the maximum outstanding in the working capital component plus the installment of the term loan availed of, if any.

#### *Operation of the scheme*

- The banks will have absolute freedom to select the clients for the card. There will be no subsidy from the Government under this Scheme.
- The borrower can avail the credit facility as per his/her requirements ie either term loan or working capital loan or a combination of both.
- The beneficiaries under the Scheme are to be issued with a laminated credit card and a passbook incorporating the name, address, borrowing limit, validity etc. which will serve both as an identity card as well as facilitate recording of the transactions on an ongoing basis.
- The issuing branch would maintain the ledger account in respect of each SCC account holder. The term loan component and working capital component will be accounted for separately. The operations in the account will be generally through the card issuing branch. However, the banks may at their discretion permit operations through the designated branches, taking into account the convenience of the clientele.
- Withdrawal from the account will be through withdrawal slips/cheques. The SCC and Pass Book should be produced each time cash withdrawal is made.
- Opening of SB A/c should not be a precondition for issue of SCC. However, in case SCC holder desires on his/her own to open SB A/c, he/she may be allowed to do so.

### *Insurance*

Beneficiaries under the scheme would automatically be covered under the group insurance scheme and the premium would be shared by the bank and the borrower equally. Each bank may negotiate the terms of insurance with a company of its choice on a national or regional basis.

### *Security/Margin/Rate of interest /Prudential norms*

Security, Margin, Rate of interest and Prudential norms are applicable as per RBI norms.

### *NABARD refinance*

NABARD refinance will be provided for advances under SCC Scheme to eligible banks against their lendings to the borrowers in rural areas as per norms under the Composite Loan Scheme.

### *Monitoring*

NABARD being the nodal agency for monitoring the scheme, in order to facilitate close monitoring of the Scheme at the ground level, banks are required to report the monthly progress to the Regional Offices of NABARD concerned in the format enclosed (Annexure II).

### *Medium Term Strategy*

It is expected that banks would issue 2 lakh cards during the year 2003-04 and achieve a target of 40 lakh before the end of the X Five Year Plan. The state -wise and bank-wise targets would be proposed by NABARD and approved by the SLBC.