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Ques) To avoid yet another crisis in Non-performing Assets, key flaws in Pradhan Mantri MUDRA Yojana need to be fixed properly.
(Indian Economy)

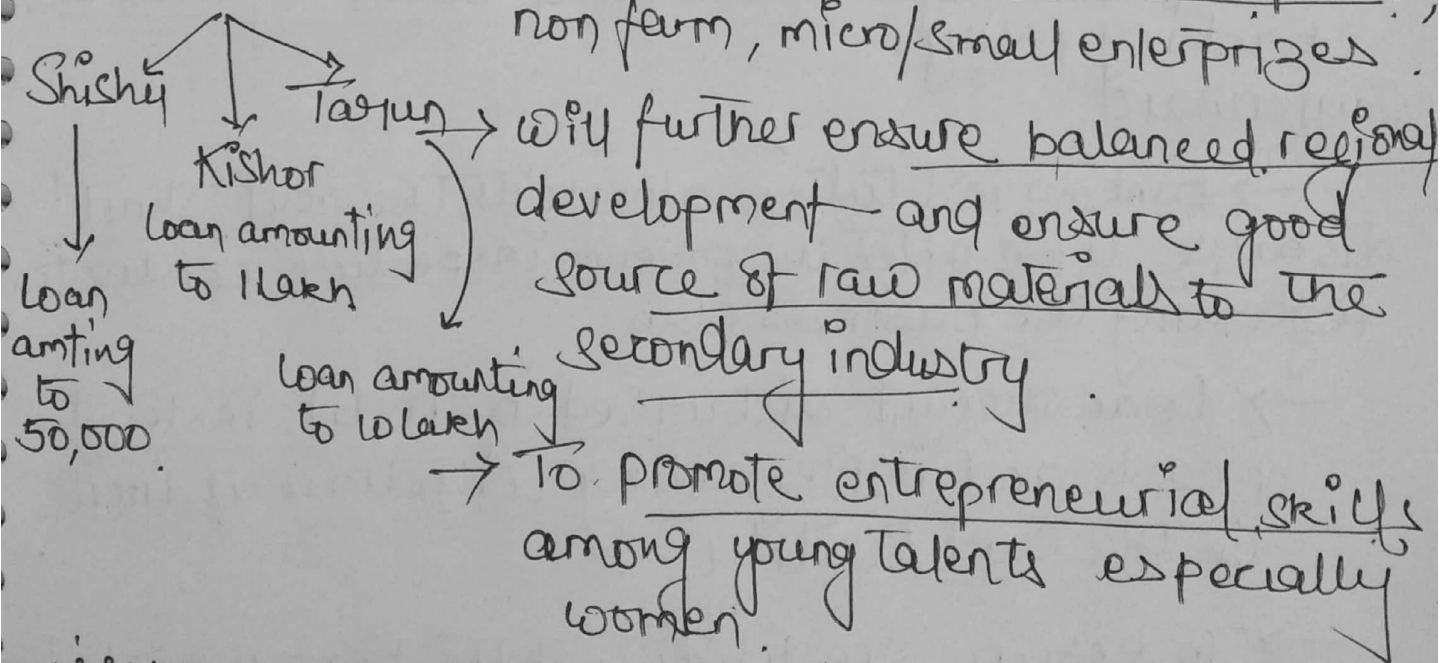
"Waiving off mandatory security clause is a good politics but bad economics"

Loans disbursed under Mudra scheme does not require collateral security. Due to which people having no business plan also approach banks to demand loan under this particular scheme.

PMMY (PRADHAN MANTRI MUDRA YATANA)

launched - April 2015

Sole objective → To provide loans to non-corporate, non farm, micro/small enterprises.



issue

→ Under the Mudra Scheme a total of 2.68 crore loans have been disbursed amounting to Rs 1.41 lakh crore.

of which 2.69% of the loan disbursed is NPA (Non Performing Assets) turned out to be bad loan in FY 19.

→ People approaching bank and demanding loan under this scheme having without any proper project/business plan.

* Such clauses in the scheme has led to the creation of NPA or bad loans due to people's act of demanding loan for unproductive development purpose.

* CBI filed case in Feb 2019 against Senior Officer in FNB for disbursing 26 loans amounting to 62 lakhs, without any proper inspection underwent under this scheme.

* leading to disbursing loan against the banking policy.
Way forward

→ Banking institution along with the govt should disburse loan after the proper inspection conducting regarding the business plan.

→ Loan amount disbursed in credit instead of cash and implementing withdrawal limits in the card facility.

→ To ensure credibility of the borrower before disbursing the amount of loan.

→ Assisting in providing subsidy to the innovative plan of the borrower which further leads to profit and enhances the chances of repayment of loan.