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Que) To avoid yet another crisis in Non-Performing Assets, key flaws in Pradhan Mantri MUDRA Yojna 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 YOJANA)
launched - April 2015

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

Shishu → Loan amting to 50,000.
Kishor → Loan amounting to 1lakh
Tarun → Loan amounting to 10lakh

→ will further ensure balanced regional development and ensure good source of raw materials to the secondary industry.

→ To promote entrepreneurial skills among young talents especially women.

issue.

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

out of which 2.69% of the loan disbursed is NPA (Non Performing Assets) turned out to be bad loan in FY19.

→ 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 PNB for disbursing 26 loans amounting to 62 lakhs. without any proper inspection underwent under this scheme

* leading to disbursing loan against the banking policy.

Wayforward

→ 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 profits and enhances the chances of repayement of loan