

LOK SABHA
UNSTARRED QUESTION No. 1193
ANSWERED ON JULY 25, 2022/ SRAVANA 3, 1944 (SAKA)

Frauds in MUDRA Yojana

1193. SHRIMATI RANJANABEN DHANANJAY BHATT :

Will the Minister of FINANCE be pleased to state:

- (a) whether the incidents of frauds in the name of Pradhan Mantri MUDRA Yojana are being reported from various parts of the country and if so, the details thereof;
- (b) whether the Government proposes to take any concrete steps to check such incidents;
- (c) if so, the details thereof along with the time by which it is likely to be done; and
- (d) if not, the reasons therefor?

ANSWER

Minister of State in the Ministry of Finance

(DR. BHAGWAT KARAD)

(a) to (d) Under Pradhan Mantri Mudra Yojana (PMMY), collateral-free institutional credit up to Rs. 10 lakh is provided by Member Lending Institutions (MLIs) to micro/small business units, for income generating activities in sectors such as manufacturing, trading, services and also for activities allied to agriculture. Since inception of PMMY more than 35.88 crore loans amounting to Rs. 19.61 lakh crore have been extended under the Scheme as on 01.07.2022. As per information compiled from Public Sector Banks (PSBs), 2,506 instances of alleged frauds amounting to Rs. 58.36 crore have been reported under the Scheme.

Loans by Banks are extended as per their Board-approved policies and extant Reserve Bank of India (RBI) guidelines which, *inter-alia* include, viability of project, assessment of repayment capacity of the borrower, etc. Further, banks vide their internal circulars regularly reiterate due diligence in KYC of prospective borrowers, appraisal of loan proposal, pre-sanction and post-sanction monitoring etc.

A slew of measures taken by Government and Reserve Bank of India (RBI) to control and prevent frauds in banks, *inter-alia*, include reiteration of instructions to banks on framework for timely detection, investigation, reporting of frauds to concerned authorities, operationalization of Central Fraud Registry (CFR) to support exercise of due diligence during credit sanctioning process, imposing penalty on banks for laxity in internal controls including issue of 'Letter of Warning' for lapses in following the procedures/guidelines, mandating Banks to implement measures for strengthening the SWIFT operating environment in Banks etc.

Further, Banks from time to time are advised to take suitable action for sensitizing general public and protect them from unwarranted financial risk.

End-to-end digital lending for automated sanctions under PMMY has also been put in place by major PSBs viz., State Bank of India (SBI), Bank of Baroda (BOB), Union Bank of India (UBI) etc. to minimize incidences of frauds.