PONDICHERRY UNIVERSITY

Internship Project Report

On

Government Schemes Offered by Banks and Its Impacts

September-23

MASTER OF **B**USINESS **A**DMINISTRATION

BANKING **T**ECHNOLOGY

IN

DEPARTMENT OF BANKING TECHNOLOGY

SCHOOL **O**F **M**ANAGEMENT

PONDICHERRY **U**NIVERSITY

DONE AND SUBMITTED BY:

S.BALAJI,

22381056,

22381056@pondiuni.ac.in.

SUBMITTED TO:

LEAD DISTRICT MANAGER ,

Indian Bank Lead Bank,

Pakkamudayanpet,

Puducherry – 605008.

CERTIFICATE

This is to certify that Mr. S.Balaji is a bona-fide student of MBA BANKING TECHNOLOGY from PONDICHERRY UNIVERSITY has successfully completed his project report on “Government Schemes Offered by Banks and Its Impacts” in Indian Bank **Lead Bank** (Zonal Office), under our guidance from 7th August 2023 to 13th September 2023. He has carried out the assigned project work sincerely with complete satisfaction.

DATE: 14.09.2023 Lead District Manager,
PLACE: Pakkamudayanpet Indian Bank.

<u>DECLARATION</u>

I **S.BALAJI**, hereby declare that the presented report of the internship project titled "**GOVERNMENT SCHEMES OFFERED BY BANKS AND ITS IMPACTS**" in the INDIAN BANK, BALAJI is uniquely prepared by me during the completion of work under the supervision of **MR.R.MANIRAJ** sir**,** LEAD DISTRICT MANAGER, INDIAN BANK LEAD BANK for the period of August 7th to September 13th, 2023

I also confirm that the report is only prepared for my academic requirement, not for any other purpose.

BALAJI SIVAKUMAR ,
MBA Banking Technology
Pondicherry University.

ACKNOWLEDGEMENT

I sincerely express my thanks to the **DR.MARIAPPAN,** Head of the Department of Banking Technology for making the opportunity to work in this bank for my internship.

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I express my gratitude to all the other staffs of Indian Bank for encouraging and helping me during the internship. I also thank all the other department staffs who made initiative for the internship and made allotment for the students.

REGARDS
S.BALAJI

ABSTRACT

The purpose of this project is to illustrate how banks planning and monitoring of government-sponsored schemes significantly contributed to financial inclusion and socio-economic growth in India.

Government schemes offered by banks in India aim to address various societal and economic challenges by extending financial services to marginalized and underprivileged sections of the population. The main goals are to reduce poverty, create jobs, develop rural areas, and give small and medium-sized businesses (SMEs) access to loans. The government's larger goal of inclusive growth and financial empowerment is made possible by these schemes.

The RBI, in its role as the regulator, has issued comprehensive guidelines to govern the implementation of these schemes. These guidelines cover aspects such as eligibility criteria, loan disbursal procedures, monitoring and evaluation mechanisms, and reporting requirements for banks. The RBI's active involvement ensures the schemes adherence to prudential norms and risk management practices, maintaining the stability and integrity of the financial system.

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INTRODUCTION:

In India, Banks provide a number of government lending scheme programs to meet the financial needs of different segments of population, from people and small enterprises to specialized industries like agriculture and education. These schemes are typically created to encourage entrepreneurship, economic growth, and financial inclusion.

The Government introduces from time to time several schemes of Socio-economic Development which aim at increase in production, better utilization of various assets created in the past as also meeting the minimum social and economic requirements of the population, and in particular, of the weaker sections of the Society. For achieving the above objectives huge funds are necessary and the State Government has to borrow and lend funds to meet the purpose. The liabilities and assets of the Government are, therefore, exhibited in the Sector 'E-Public Debt' and 'F-Loans and Advances'; the former indicating the sources from which the amounts are borrowed and the functions on which amounts have been lent.

Banks have requirements such as minimum income, minimum credit score, age criteria, and minimum years of work experience. A bank will provide a deposit or a loan to an applicant only if he or she meets these criteria. Many of the poor people may be unemployed without any previous employment record due to lack of education, lack of resources, lack of money, etc.

These economically underprivileged people of the society may also not have proper documents to provide to the banks for verification of identity or income. Every bank has certain mandatory documents that need to be furnished during a loan application process or during a bank account creation process. Many of these people do not have knowledge about the importance of these documents. They also do not have access to apply for government-sanctioned documents.

The financial system is the most important institutional and functional vehicle for economic transformation. A financial system plays a significant role in the economic growth of a country. The pace of achievement of broader national objectives depends on the efficiency of the financial system. It is the system in which investor can invest and lender can lend the money. The financial system of a country diverts the savings of country towards more productive uses which helps to increase the growth of the economy. It mobilizes and allocates scarce resources of a country very usefully. It has been confirmed by research that countries with developed financial system grow faster than others.

A financial system is a complex, well organized set of sub systems of financial institutions, markets, instruments and services which facilitates the transfer and allocation of funds efficiently and effectively. Out of these four elements, the institutions act as intermediaries which mobilize savings and facilitate the fund. The financial systems of most developing countries are characterized by co-existence and cooperation between the formal and informal financial sectors. The Indian Financial System can also be broadly classified into the formal and the informal financial system. The formal financial system works under the supervision of (MOF) Ministry of Finance.

Function on Banking system:

Borrowing is an essential function of the Indian banking system. Banks in India, including commercial banks, cooperative banks, and other financial institutions, perform several functions related to borrowing.

₹ **Providing Loans and Advances:** Indian banks extend various types of loans and advances to individuals, businesses, and the government. These loans can be for different purposes, such as personal loans, home loans, business loans, agricultural loans, and infrastructure financing.

- ₹ **Working Capital Financing:** Banks in India offer working capital loans to businesses to meet their day-to-day operational expenses. These loans help businesses manage their cash flow and maintain smooth operations.

- ₹ **Project Financing:** Banks participate in financing large infrastructure projects, such as highways, power plants, and industrial facilities. They provide long-term loans to support these projects, contributing to the country's economic development.

- ₹ **Agricultural Credit:** Indian banks play a crucial role in agricultural development by offering agricultural loans to farmers for crop production, land purchase, and farm equipment procurement. These loans help boost agricultural productivity.

- ₹ **Trade Finance:** Banks facilitate international trade by offering trade finance services, including export and import financing, letters of credit, and trade guarantees. This supports India's trade relations with other countries.

- ₹ **Consumer Finance:** Banks provide consumer loans for various purposes, such as purchasing consumer durables, education, healthcare, and travel. These loans cater to the personal financial needs of individuals.

- ₹ **Government Borrowing:** Banks purchase government securities, including treasury bills and bonds, during government borrowing programs. This helps finance government expenditures and manage fiscal deficits.

- ₹ **<u>Interest Rate Setting:</u>** The Reserve Bank of India (RBI), as India's central bank, plays a significant role in setting the benchmark interest rates, such as the repo rate and reverse repo rate. These rates influence the cost of borrowing for banks and, consequently, for borrowers in the Indian economy.

- ₹ **<u>Non-Performing Asset (NPA) Management:</u>** Banks in India also have the responsibility to manage and address non-performing assets or bad loans. They follow a process of recovery and resolution to minimize the impact of NPAs on their financial health.

- ₹ **<u>Risk Assessment and Credit Scoring:</u>** Before lending, banks evaluate the creditworthiness of borrowers by assessing their financial stability, repayment capacity, and credit history. This helps banks make informed lending decisions and manage credit risk effectively.

- ₹ **<u>Financial Inclusion:</u>** Indian banks are encouraged to promote financial inclusion by extending credit facilities to underserved and economically weaker sections of society. Various government schemes, such as the Priority Sector Lending (PSL) guidelines, support this initiative.

Overall, the borrowing function of Indian banking institutions is crucial for stimulating economic growth, supporting businesses, promoting financial inclusion. Banks in India are regulated by the Reserve Bank of India (RBI) and are required to adhere to prudential norms and guidelines to maintain the stability of the financial system.

The Government has launched numerous schemes for the social and economic welfare of the citizens of the nation. Government schemes can be defined as a plan, design or program formulated by the government for the welfare of the people. The Government launches various schemes from time to time having a specific objective. The majority of these government schemes are designed to help the economically deprived, rural, or vulnerable people in society.

The beneficiaries of these government schemes mostly comprise of economically backward or weaker sections of the society and low-income families. The Objective of Union Government Schemes is to uplift the poor section of the society, improve the quality of life, development of rural and backward areas, provide financial security, education and training to the vulnerable section of the nation, provide financial assistance to women, small business and weaker segment of the society and promoting small scale business by providing entrepreneurial and training facilities.

CLASSIFICATION OF GOVERNMENT SCHEMES:

The government schemes can be divided into three categories:

1. **Centrally Sponsored Schemes–** These schemes are funded and executed by both central and state governments in different proportions. Currently,30 centrally sponsored schemes are introduced by the government which are subdivided into two categories:-
   - **The core of the core schemes –** There is 6 Core of core schemes launched by the government which majorly includes the Umbrella Scheme for Development of Scheduled Caste, the Umbrella Programme for Development of Scheduled Tribes and a few others.
   - **Core Schemes –** Currently there are 29 centrally sponsored core schemes which majorly comprises of Green Revolution, White Revolution, Jobs and Skill Development and many others.

2. **Central Sector Schemes–** These government welfare schemes are funded and executed directly by the Centre only. Different Union Ministries and departments are implementing them for the welfare of the Indian citizens. Crop Insurance Schemes, Agriculture Infrastructure Fund, Interest Subsidy for Short Term Credit to Farmers, Crop Science, Feedstock, Metro Projects, Police Infrastructure, Border Infrastructure and Management, National River Conservation are few examples of Central Sector Schemes.

3. **State Government Schemes-** The Schemes that are planned, funded and executed by the State government only are known as State Government Schemes such as Chief Minister’s Krishi Rinn Yojana, Chief Minister’s Adarsh Gram Yojana, Arunachal Pradesh and various others.

SCOPE AND OBJECTIVE FOR GOVERNMENT LOAN SCHEMES:

Many government loan schemes are designed to promote economic development, alleviate poverty, stimulate entrepreneurship, and support specific sectors of the economy. Researchers have highlighted the importance of clearly defined objectives and alignment with broader economic goals to ensure the success of such programs.

Access to Credit:

Government loan schemes often aim to improve access to credit for individuals and businesses that may not have access to traditional financing. Studies have shown that these programs can indeed increase access to credit, particularly for underserved populations.

Impact on Economic Growth:

There is evidence to suggest that well-designed government loan schemes can have a positive impact on economic growth. They can stimulate investment, job creation, and the expansion of small and medium-sized enterprises (SMEs), which are often the backbone of many economies.

Risk and Default Rates:

The impact of government loan schemes provided by banks is a multifaceted topic with both positive and negative outcomes. The success of these programs depends on various factors, including program design, governance, risk management, and the alignment of objectives with broader economic goals. Further research is needed to refine program design and assess their long-term impact on economic development and financial inclusion.

LITERATURE REVIEW:

A comprehensive literature review on government loan schemes facilitated by banks and their impact reveals a multifaceted landscape. These schemes are often initiated with the objectives of promoting economic development, poverty alleviation, and support for specific sectors. Researchers emphasize the significance of clearly defined goals aligned with broader economic objectives for program success. They have demonstrated that such schemes can enhance access to credit, particularly for under served populations, thereby stimulating investment, job creation, and the growth of small and medium-sized enterprises, which are pivotal to many economies.

However, challenges arise, including managing the risk of default, concerns regarding equitable targeting, and the necessity for a rigorous cost-benefit analysis. The institutional framework within which these programs operate is pivotal, demanding effective governance, transparency, and accountability to prevent corruption and ensure efficient fund allocation. Schemes provides valuable lessons. Furthermore, research underscores the importance of continuous evaluation, adaptation based on performance, and the development of sustainable financing models and exit strategies for the long-term success of government loan schemes.

IMPORTANT SCHEMES:

PRADHAN MANTRI JAN DHAN YOJANA (PMJDY)

Hon’ble Prime Minister announced Pradhan Mantri Jan Dhan Yojana as the National Mission on Financial Inclusion in his Independence Day address on 15th August 2014, to ensure comprehensive financial inclusion of all the households in the country by providing universal access to banking facilities. Under this, a person not having a savings account can open an account without the requirement of any minimum balance and, in case they self-certify that they do not have any of the officially valid documents required for opening a savings account, they may open a small account.

PMJDY offers unbanked persons easy access to banking services and awareness about financial products through financial literacy programmes. In addition, they receive a RuPay debit card, with inbuilt accident insurance cover of Rs. 2 lakh, and access to overdraft facility upon satisfactory operation of account or credit history of six months.

Through Prime Minister’s Social Security Schemes, launched by the Hon’ble Prime Minister on 9th May 2015, all eligible account holders can access through their bank accounts personal accident insurance cover under Pradhan Mantri Suraksha Bima Yojana, life insurance cover under Pradhan Mantri Jeevan Jyoti Bima Yojana, and guaranteed minimum pension to subscribers under Atal Pension Yojana.

PMJDY was conceived as a bold, innovative and ambitious mission. The inclusive aspect of this is evident from the fact that 28.70 crore (66.69%) of PMJDY accounts are in rural areas and 23.87 crore (over 55.47%) PMJDY account holders are women.

The deposit base of PMJDY accounts has expanded over time. As on 18.08.2021, the deposit balance in PMJDY accounts is Rs. 1,46,230.71 crore. The average deposit per account has more than Triple from Rs. 1,064 in March 2015 to Rs. 3397 in August 2021.

FROM JAN DHAN TO JAN SURAKSHA

For creating a universal social security system for all Indians, especially the poor and the under-privileged the Hon'ble Prime Minister launched three Social Security Schemes in the Insurance and Pension sectors on 9th of May, 2015.

PRADHAN MANTRI JEEVAN JYOTI BIMA YOJANA (PMJJBY)

The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join / enable auto-debit. Aadhar is the primary KYC for the bank account. The life cover of Rs. 2 lakh is for the one year period stretching from 1st June to 31st May and is renewable. Risk coverage under this scheme is for Rs. 2 lakh in case of death of the insured, due to any reason. The premium is Rs. 436 per annum which is to be auto-debited in one installment from the subscriber's bank account as per the option given by him on or before 31st May of each annual coverage period under the scheme. The scheme is being offered by the Life Insurance Corporation and all other life insurers who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose. As on 30.06.2022, cumulative enrollment is over 13.11 crore under PMJJBY.

PRADHAN MANTRI SURAKSHA BIMA YOJANA (PMSBY)

The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis. Aadhar would be the primary KYC for the bank account. The risk coverage under the scheme is Rs. 2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability. The premium of Rs.20 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility in one installment. The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose. As on 30.06.2022, cumulative enrollment is over 29.01 crore under PMSBY.

ATAL PENSION YOJANA (APY)

APY was launched on 9th May, 2015 by the Prime Minister. APY is open to all saving bank/post office saving bank account holders in the age group of 18 to 40 years and the contributions differ, based on pension amount chosen. Subscribers would receive the guaranteed minimum monthly pension of Rs. 1,000 or Rs. 2,000 or Rs. 3,000 or Rs. 4,000 or Rs. 5,000 at the age of 60 years. Under APY, the monthly pension would be available to the subscriber, and after him to his spouse and after their death, the pension corpus, as accumulated at age 60 of the subscriber, would be returned to the nominee of the subscriber. The minimum pension would be guaranteed by the Government, i.e., if the accumulated corpus based on contributions earns a lower than estimated return on investment and is inadequate to provide the minimum guaranteed pension, the Central Government would fund such inadequacy. Alternatively, if the returns on investment are higher, the subscribers would get enhanced pensionary benefits.

In the event of pre-mature death of the subscriber, Government has decided to give an option to the spouse of the subscriber to continue contributing to APY account of the subscriber, for the remaining vesting period, till the original subscriber would have attained the age of 60 years. The spouse of the subscriber shall be entitled to receive the same pension amount as that of the subscriber until the death of the spouse. After the death of both the subscriber and the spouse, the nominee of the subscriber shall be entitled to receive the pension wealth, as accumulated till age 60 of the subscriber. As on 31st July, 2021, a total of 321.02 lakh subscribers have been enrolled under APY.

PRADHAN MANTRI MUDRA YOJANA

The scheme was launched on 8th April 2015. Under the scheme a loan of upto Rs. 50,000 is given under sub-scheme ‘Shishu’; between Rs. 50,000 to 5.0 Lakhs under sub-scheme ‘Kishore’; and between 5.0 Lakhs to 10.0 Lakhs under sub-scheme ‘Tarun’. Loans taken do not require collaterals. These measures are aimed at increasing the confidence of young, educated or skilled workers who would now be able to aspire to become first generation entrepreneurs; existing small businesses, too, will be able to expand their activates. As on 20.08.2021, Rs. 16,22,203 crores sanctioned in 30.7 crores accounts.

STAND UP INDIA SCHEME

Government of India launched the Stand Up India scheme on 5th April, 2016. The Scheme facilitates bank loans between Rs.10 lakh and Rs.1 crore to at least one Scheduled Caste/ Scheduled Tribe borrower and at least one Woman borrower per bank branch for setting up greenfield enterprises. This enterprise may be in manufacturing, services or the trading sector activities allied to agriculture. The scheme which is being implemented through all Scheduled Commercial Banks is to benefit at least 2.5 lakh borrowers. The scheme is operational and the loan is being extended through Scheduled Commercial Banks across the country.

Stand Up India scheme caters to promoting entrepreneurship among women, SC & ST category i.e those sections of the population facing significant hurdles due to lack of advice/mentorship as well as inadequate and delayed credit. The scheme intends to leverage the institutional credit structure to reach out to these underserved sectors of the population in starting greenfield enterprises. It caters to both ready and trainee borrowers.

To extend collateral free coverage, Government of India has set up the Credit Guarantee Fund for Stand Up India (CGFSI). Apart from providing credit facility, Stand Up India Scheme also envisages extending handholding support to the potential borrowers. It provides for convergence with Central/State Government schemes. Applications under the scheme can also be made online on the dedicated Stand Up India portal(www.standupmitra.in). As on 23.08.2021, Rs. 26,688 crore has been sanctioned in 1,18,462 accounts.

PRADHAN MANTRI VAYA VANDANA YOJANA

The ‘Pradhan Mantri Vaya Vandana Yojana (PMVVY) has been launched by the Government to protect elderly persons aged 60 years and above against a future fall in their interest income due to uncertain market conditions, as also to provide social security during old age. The scheme is implemented through the Life Insurance Corporation of India (LIC) and open for subscription upto 31st March, 2023.

PMVVY offers an assured rate of return 7.40% per annum for the financial year 2020-21 for policy duration of 10 years. In subsequent years, while the scheme is in operation, there will be annual reset of assured rate of return with effect from April 1st of the financial year in line with applicable rate of return of Senior Citizens Saving Scheme(SCSS) upto a ceiling of 7.75% with fresh appraisal of the scheme on breach of this threshold at any point.

Mode of pension payment under the Yojna is on a monthly, quarterly, half-yearly or annual basis depending on the option exercised by the subscriber. Minimum purchase price under the scheme is Rs. 1,62,162/- for a minimum pension of Rs. 1000/- per month and the maximum purchase price is Rs. 15 lakh per senior citizen for getting a pension amount of Rs. 9,250/- per month.

GOVERNMENT SUBSIDY SCHEMES UNDER U.T OF PUDUCHERRY:

NATIONAL URBAN LIVELIHOODS MISSION (NULM):

This Scheme will focus on financial assistance to individuals/groups of urban poor for setting up gainful self-employment ventures/ micro-enterprises, suited to their skills, training, aptitude and local conditions. The component will also support Self Help Groups (SHGs) of urban poor to access easy credit from bank and avail interest subsidy on SHG loans. The underemployed and unemployed urban poor will been couraged to set up small enterprises relating to manufacturing, servicing and petty business for which there is considerable local demand.

SELF-EMPLOYMENT PROGRAM- INDIVIDUAL (SEP-I)

Identification of beneficiary:

Urban Local Body (ULB) will identify the prospective beneficiaries from among the urban poor. The beneficiaries may directly approach ULB or its representatives for assistance.

Educational Qualifications and Training Requirement:

No minimum educational qualification is required. However, where the identified activity for micro-enterprise development requires some special skills, appropriate training must be provided.

Quantum of Loan:

The Maximum unit Project Cost for individual micro-enterprises cases isRs. 200,000/- (Rs Two Lakhs Only)

Collateral on Bank Loan:

No collateral required

Repayment:

Repayment schedule ranges from 5 to 7 Years after initial moratorium of 6-18 months as per norms of the banks.

Pattern of Financial Assistance:

The financial assistance available to urban poor in setting up individual and groupenterprises will be in the form of Interest subsidy on the bank loans. Interest subsidy, over and above 7% rate of interest will be available on a bank loan for setting up ofindividual or group enterprises. The difference between 7% p.a. and the prevailingrate of interest will be provided to banks under NULM. Interest subsidy will be givenonly in case of timely repayment of loan.

SELF HELP GROUPS (SHGs)

Eligibility criteria:

- ❖ SHG should be in active existence at least since the last 6 months as per the books of account of SHGs and not from the date of opening of S/B account.
- ❖ SHG should be practicing 'Panchasutras' i.e regular meetings, regular savings, regular inter-loaning, Timely repayment and Up-to-date books of accounts.
- ❖ The existing defunct SHGs are also eligible for credit if they are revived and continue to be active for a minimum period of 3 months.

Security and Margin:

No collateral and no margin will be charged up to ₹ 10.00 lakhs limit to the SHGs

LOAN AMOUNT:

DOSE	LOAN AMOUNT	REPAYMENT
FIRST DOSE	6 times of the existing corpus or minimum of **₹ 1 lakh** whichever is higher	The First year/ first dose of loan will be repaid in 12-18 months in monthly/ quarterly instalments
SECOND DOSE	8 times of the existing corpus or minimum of **₹ 2 lakh**, whichever is higher	The Second year/ Second dose of loan will be repaid in 18-24 months in monthly/ quarterly instalments
THIRD DOSE	Minimum of **₹ 3 lakhs** based on the Micro credit plan prepared by the SHGs and appraised by the Federations/ Support agency and the previous credit history	The Third year /Third dose of loan will be repaid in 24-36 months in monthly/ quarterly instalments
FOURTH DOSE	Minimum of **₹ 5 lakhs** based on the Micro credit plan prepared by the SHGs an appraised by the Federations Support agency and the previous credit history	The loan from Fourth year/Fourth dose on wards has to be repaid between 3-6 years based on the cash flow in monthly/quarterly installments

KISAN CREDIT CARD LOAN SCHEME:

The Kisan Credit Card scheme is a Government of India scheme launched in 1998 with the aim of providing short-term formal credit to farmers in the agriculture, fisheries and animal husbandry sector. The PM Kisan Credit Cards have now been linked to the Pradhan Mantri Kisan Samman Nidhi Yojana.

QUANTUM OF LOAN:

- Farmers can seek a loan from KCC for agriculture activity for up to Rs.3 lakh at 7% interest rate with 3% incentive for prompt repayment. The validity period is 5 years.
- KCC for animal husbandry and fisheries activity for up to Rs.2 lakh at 7% interest
- rate with 3% incentive for prompt repayment. The validity period is 5 years.
- With the help of this scheme, farmers can avail loan up to Rs.1.60 lakh without any collateral and repay their loans depending on the harvesting period of their crop for which the loan was given.

ELIGIBILITY CRITERIA:

- Any individual farmer who is an owner-cultivator.
- People who belongs to a group and are joint borrowers. The group has to be

owner-cultivators.

- Sharecroppers, tenant farmers, or an oral lessee are eligible for the KCC.
- Self-help groups (SHG) or joint liability groups (JLG) of sharecroppers, farmers, tenant farmers, etc.
- Farmers involved in the production of crop or allied activities such as animal husbandry along with non-farm activities such as fishermen.

- Inland Fisheries and Aquaculture: Fish farmers, fishers, SHGs, JLGs, and women groups. As a beneficiary, you must own or lease any activity related tofisheries. This includes owning or leasing a pond, an open water body, a tank, or a hatchery among others.
- Poultry: Individual farmers or joint borrowers, SHGs, JLGs, and tenant farmers of sheep, rabbits, goats, pigs, birds, poultry, and have sheds they have owned, rented, or leased.
- Dairy: Farmers, dairy farmers, SHGs, JLGs, and tenant farmers who own, lease, or rent sheds.

PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP):

PMEGP is a central sector scheme being administered by the Ministry of Micro, Small and Medium Enterprises (Mo MSME).The scheme is being implemented by Khadi and Village Industries Commission (KVIC), a statutory organization under the administrative control of the Ministry of MSME as the single nodal agency at the National level. At the State level, the scheme is implemented through State offices of KVIC, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs), Coir Board(for coir related activities) and Banks.

Target Group:

The participants are mainly the Unemployed youths, Students of universities,educational institutions, technical institutions, Skilled and Unskilled artisan comprising of all categories of the Society. Special focus should be explored for the target group such as SC/ST, OBC, Transgender, Women, Ex-Servicemen etc. During the awareness camps.

Identification of Beneficiaries:

The applicants, who have already undergone training of at least 10 Days (for offline mode)/ 60 hours (for online mode) under Entrepreneurship Development Programme (EDP) / Skill Development Programme (SDP) / Entrepreneurship cum Skill Development Programme (ESDP) need not undergo EDP training again.

Eligibility Criteria:

- Any individual, above 18 years of age
- There will be no income ceiling for assistance for setting up projects under PMEGP.
- The beneficiaries should possess at least VIII standard pass educational qualification.
- Assistance under the scheme is available only for new projects sanctioned specifically under the PMEGP.
- Existing Units (under PMRY, REGP or any other scheme of Government of India or State Government) and the units that have already availed Government Subsidy under any other scheme of Government of India or State Government are not eligible.
- Only one person from one family is eligible for obtaining financial assistance for setting up of projects under PMEGP. The 'family' includes self and spouse.

Quantum of Loan:

For setting up of project costing above Rs.10 lakhs in the Manufacturing sector and above Rs. 5 lakhs in the Business /Service sector Security: As per RBI guidelines the project costing upto Rs.10.00 lakhs under PMEGP loans are free from collateral security. The CGTMSE provided collateral guarantee for the project upto Rs. 2.00 Crore.

Repayment:

Repayment schedule may range between 3 to 7 years after an initial moratorium as may be prescribed by the concerned bank/financial institution.

STANDUP INDIA:

As of my last knowledge update in September 2021, the Stand-Up India scheme is a government initiative in India aimed at promoting entrepreneurship among women, Scheduled Castes (SCs), and Scheduled Tribes (STs) by providing loans for setting up greenfield enterprises in the manufacturing, services, or trading sectors. To be eligible for the Stand-Up India scheme, certain criteria must be met:

Borrower Profile:

The applicant should be an Indian citizen.
The borrower should be from either of the following categories:

- ₹ A woman entrepreneur.
- ₹ An individual belonging to SC or ST category.

The applicant should not have defaulted on any previous loans from banks or financial institutions.

Age Limit:

The borrower should be at least 18 years old.

Type of Enterprise:

The enterprise should be a greenfield project, meaning it should be a first-time venture.
The business can be in the manufacturing, services, or trading sectors.

Loan Amount:

Loans under the Stand-Up India scheme are typically for amounts ranging from Rs. 10 lakh to Rs. 1 crore.

Ownership:

In the case of a sole proprietorship, the beneficiary should either be a woman entrepreneur or an individual from SC/ST category.

In the case of a partnership firm, at least 51% of the shareholding and controlling stake should be held by either a woman entrepreneur or an individual from the SC/ST category.

Margin Money:

There is no requirement for margin money for loans under the Stand-Up India scheme.

Loan Repayment:

The loan is typically to be repaid over a period of 7 years with a maximum moratorium period of 18 months.

MOTIVATION OF UNEMPLOYED PERSONS TO START SELF-EMPLOYED ENTERPRISES SCHEME (MUPSES):

Objective

To encourage un-employed persons in the U.T. of Puducherry to start self employment in manufacturing or service sector enterprises

Target Group

Unemployed Men and Women who willing to start a business.

Eligibility Criteria

Should be resident of the Union Territory of Puducherry.

Age - As per existing Bank norms.

Educational qualification - Known to read and write.

Purpose of Loan

All services and industrial activities and Self-employment manufacturing and service units such as Mechanized Laundry, Beauty Parlour(saloon), Tailoring units, Hygienic Tea/Coffee stalls, etc.
Quantum of Loan - Up to Rs.2,00,000/-.

Security

Primary security on the assets created out of bank finance. No collateral security is required.

Repayment

Repayment schedule is maximum 60 months.

Financial Institutions

i. All Public Sector Banks
ii. All Regional Rural Banks, Co-operative Banks, Private Sector Scheduled Commercial Banks regulated by RBI
iii. Small Industries Development Bank of India (SIDBI)

Subsidy Processing:

i. 50% of the project cost excluding pre-operative and preliminary expenses will be granted as subsidy for the projects not exceeding Rs.50,000/- and
ii. 35% of the project cost excluding pre-operative and preliminary Expenses to a maximum of Rs.35,000 will be granted as subsidy for project cost exceeding Rs.50,000 but less thanRs.2.00 lakhs.

PRADHAN MANTRI MUDRA YOJANA (PMMY)

MUDRA loans are extended by banks, NBFCs, MFIs and other eligible financial intermediaries as notified by MUDRA Ltd. The Pradhan Mantri MUDRA Yojana (PMMY) announced by the Hon’ble Prime Minister on 8th April 2015, envisages providing MUDRA loan, upto 10 lakh, to income generating micro enterprises engaged in manufacturing, trading and services sectors.

Objective

To create an inclusive, sustainable and value based entrepreneurial culture, in in achieving economic success, financial security and creating an ecosystem of growth for micro enterprises sector.

Quantum of Loan

The MUDRA loans are extended under following three categories:

- ₹ Loans upto 50,000/- (Shishu)
- ₹ Loans from 50,001/- to 5 lakh (Kishore)
- ₹ Loans from 5,00,001/- to 10 lakh (Tarun)

Eligible borrowers

I. Individuals
II. Proprietary concern.
III. Partnership Firm.
IV. Private Ltd. Company.
V. Public Company.

Purpose of Assistance/Nature of assistance

- ✧ Term loan/OD limit/composite loan to eligible borrowers for acquiring capital assets and/or working capital.
- ✧ Provided for small business activity in manufacturing, processing, and service sector or trading.

Margin

Margin/Promoters Contribution is as per the policy framework of the bank, based on overall guidelines of RBI in this regard. Banks may not insist for margin for Shishu loans.

Security

- ❖ First charge on all assets created out of the loan extended to the borrower and the assets which are directly associated with the business/project for which credit has been extended.
- ❖ CGTMSE/MUDRA Guarantee cover.

Repayment

(a) Term Loan - To be repaid in suitable instalments with suitable moratorium period
as per cash flow of the business.
(b) OD & CC Limit -Repayable on demand.

Financial Institutions

i. All Public Sector Banks
ii. All Regional Rural Banks, Co-operative Banks, Private Sector Scheduled Commercial Banks regulated by RBI.
iii. Small Industries Development Bank of India (SIDBI)

Bank Finance

i. The Bank will sanction 75% of the project cost and remaining 25% will be promoter contribution.
ii. Bank will finance Capital Expenditure in the form of Term Loan and Working Capital in the form of cash credit.
iii. Maximum project cost under MUDRA loan is Rs. 10 lakh, which includes Term Loan for Capital Expenditure and Working Capital.

PM STREET VENDOR'S ATMA NIRBHAR NIDHI (PM SVANIDHI):

Street vendors represent a very important constituent of the urban informal economy and play a significant role in ensuring availability of the goods and services at affordable rates at the door-step of the city dwellers. The goods supplied by them include vegetables, fruits, ready-to-eat street food, tea, breads, eggs, textile, apparel, footwear, artisan products, books/ stationary etc. The COVID-19 pandemic and consequent lockdowns have adversely impacted the livelihoods of street vendors. Therefore, there is a need to provide credit for working capital to street vendors to resume their business.

Objective

- To facilitate working capital loan up to Rs.10,000
- To incentivize regular repayment; and
- To reward digital transactions

Eligibility Criteria

Category A - Street vendors in possession of Certificate of Vending (CoV) / IdentityCard issued by Urban Local Bodies (ULBs)

Category B - Street vendors who have been identified in the survey but have not been issued Certificate of Vending / Identity Card

Category C - Street vendors left out of the ULB led identification survey or who have started vending after completion of the survey and have been issued Letter of Recommendation (LoR) to that effect by the ULB / Town Vending Committee (TVC)

Category D - Street vendors of surrounding development/ semi-urban / rural areas vending in the geographical limits of the ULBs and have been issued Letter of Recommendation (LoR) to that effect by the ULB / TVC.

Quantum of Loan:

- 1st Tranche-Rs.10,000/-
- 2nd Tranche Rs.20,000/-
- 3rd tranche Upto Rs.50,000/-

Security:

No Collateral required.

Repayment:

Urban street vendors will be eligible to avail a Working Capital (WC) loan of up to Rs.10,000 with tenure of 1 year and repaid in monthly installments.

Interest Subsidy:

1. The vendors are eligible to get an interest subsidy @ 7%.
2. The interest subsidy amount will be credited into the borrower's account quarterly, but account should be Standard.
3. The subsidy will be available on first and subsequent enhanced loans up to that date.

Financial Institutions:

I. All Public Sector Banks, Regional Rural Banks, Co-operative Banks, Private Sector Scheduled Commercial Banks regulated by RBI

II. Small Industries Development Bank of India (SIDBI), NBFCs and MFIs.

IMPACT ON BANKS IN INDIA:

Financial Performance:

Government loan schemes can have both positive and negative effects on a bank's financial performance. It's essential to assess how these schemes influence a bank's profitability, liquidity, and growth. Factors to consider include:

Net Profitability:

Determine whether participation in government loan schemes affects a bank's net profit margins and overall profitability.

Liquidity:

Analyze the bank's liquidity position before and after its involvement in government schemes, as increased lending may impact liquidity ratios.

Growth:

Assess the impact on the bank's asset size, loan portfolio, and deposit base. Government schemes may lead to increased loan origination but may also come with funding challenges.

Credit Risk:

Government-backed loan schemes may alter a bank's credit risk profile. Evaluate the credit risk associated with loans provided under these schemes. Consider factors such as:

Provisioning Requirements:

Analyze changes in the bank's provisioning requirements as a result of loans provided under government schemes. Assess the adequacy of risk provisioning.

Asset Quality:

Examine changes in the composition and quality of the bank's loan portfolio. Assess whether government schemes impact the incidence of non-performing loans (NPLs) and provisioning needs.

Operational Challenges:

Interview bank officials to understand the operational challenges associated with government loan schemes. Explore issues related to loan disbursement, monitoring, and recovery, which can affect the bank's efficiency and effectiveness.

Government Support and Policy Alignment:

Evaluate the level of government support and cooperation in implementing these schemes. Assess whether government policies are aligned with the interests of banks and the broader financial sector.

Customer Acquisition and Retention:

Analyze whether government loan schemes enhance customer acquisition and retention for banks. Assess whether these schemes attract new customers or deepen relationships with existing ones.

Regulatory Implications:

Investigate how regulatory authorities oversee and supervise banks participating in government loan schemes. Analyze the regulatory framework and compliance requirements.

Recommendations and Future Strategies:

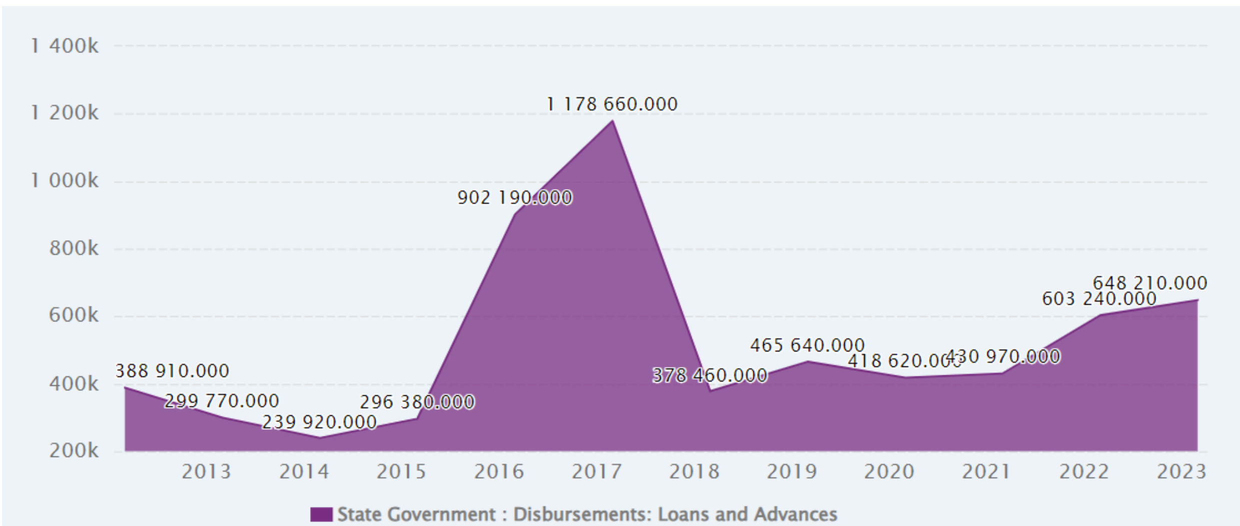
Based on the analysis, provide recommendations for banks in India. Suggest strategies for risk management, operational improvements, and optimizing the benefits of government loan schemes.

Reporting and Stakeholder Communication:

Compile the research findings and present them in a clear and accessible manner. Communicate the results to relevant stakeholders, including bank management, regulators, and government agencies.

INDIA STATE GOVERNMENT DISBURSEMENTS: LOANS AND ADVANCES:

India State Government : Disbursements: Loans and Advances data was reported at 648,210.000 INR mn in 2023. This records an increase from the previous number of 603,240.000 INR mn for 2022. India State Government : Disbursements: Loans and Advances data is updated yearly, averaging 86,520.000 INR mn from Mar 1971 to 2023, with 53 observations. The data reached an all-time high of 1,178,660.000 INR mn in 2017 and a record low of 4,910.000 INR mn in 1971. India State Government : Disbursements: Loans and Advances data remains active status in CEIC and is reported by Ministry of Finance. The data is categorized under Global Database's India State Government: Receipts and Disbursements.



LOANS AND ADVANCES FROM 2012 TO 2023

CONCLUSION:

In conclusion, government loan schemes have played a significant role in shaping the landscape of the Indian banking sector. These schemes, designed to promote financial inclusion, economic development, and social welfare, have had both positive and challenging impacts on banks in India.

Government loan schemes have undoubtedly expanded banks' customer base, increased credit flow to underserved sectors, and contributed to the nation's economic growth. They have provided banks with a unique opportunity to fulfill their social responsibility while also generating revenue through interest income and fees.

However, the implementation of these schemes has not been without challenges. Banks have faced issues related to credit risk management, loan recovery, and operational efficiency. The quality of assets in banks' portfolios has at times been compromised due to the high-risk nature of some beneficiaries.

Looking ahead, there is immense potential for the government loan schemes to further strengthen the Indian banking sector. By addressing the challenges and building on the successes, banks can continue to play a pivotal role in facilitating financial inclusion and economic development. Collaboration between banks, policymakers, and regulators is crucial to streamline the implementation process, reduce credit risk, and ensure that the benefits of these schemes reach the intended beneficiaries.

Continuous monitoring and evaluation of these schemes are essential to track their impact on banks' financial health and their contribution to the broader economy.

This report has aimed to provide a comprehensive understanding of government loan schemes and their impact on banks in India, offering insights into the complex relationship between the government, banks, and borrowers. It is our hope that the findings and recommendations presented herein will contribute to informed decision-making and the continued success of these schemes in the years to come.

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