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# Speed up 59-minute loan sanction, government tells PSU banks

BY [SIDHARTHA](#), TNN | JAN 16, 2019, 11:01 AM IST[Post a Comment](#)

NEW DELHI: Amid criticism of its promised 59-minute [loan](#) scheme for micro, small and medium enterprises (MSMEs), the finance ministry is pushing state-run banks to bridge the gap between proposals that receive preliminary approval and final sanction.

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Since its formal launch by PM [Narendra Modi](#) a little over two months ago, around 60% of the preliminary approvals done online have been converted into formal sanctions, with the total loan amount adding up to over Rs 24,000 crore, said sources.

This has raised questions over the effectiveness of the scheme, where loans up to Rs 1 crore are available to MSMEs that have a credit history, pay income tax and are part of the [GST](#) network.

## MSME OUTREACH

### 59-minute loans

1.25 lakh  
preliminary approvals

75,000  
loan proposals sanctioned



₹24,150 crore  
amount sanctioned

Data for Nov 2-Jan 10; Source: Govt

The quick loan-sanction scheme was part of the government's outreach to the [MSME](#) sector, which was complaining about liquidity shortage due to RBI's policies and adverse impact of demonetisation and GST on a segment that is a significant contributor to GDP, jobs and exports. Officials said part of the reason for the conversion rate hovering around the 60% mark is the absence of documents.

"While basic documents are available, banks do undertake due diligence since everyone is answerable in case something goes wrong. The exercise requires things like the cash flow statement. Often the loan applicant takes time to furnish papers," said a banking source.

Banks have also been advised to be proactive and reach out to those who do not come back, said another official.

Besides, the lenders have been told that there has to be a valid reason for rejecting a loan proposal and it cannot be whimsical. "This will also require a change in the mindset, which will not happen overnight," the source said. Another official said the government had promised to process the loan application using technology in a time-bound fashion but did not guarantee a loan.

But, the government appears satisfied with the initial response, with some officials saying that some of the private lenders too wanted to join the 59-minute loan-sanction scheme, since it was meant for those with a prior credit and tax history.

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