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Turnaround Time, Compliance and Bottlenecks in Subsidised MSME Loan Processing: Evidence from Fifteen Completed Cases at a Chartered Accountancy Firm in Pune

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ABSTRACT.

Credit-linked subsidy schemes are meant to widen small firms' access to formal finance, yet little is published about how long a subsidised loan file actually takes to move through the system or where it loses time. This paper follows fifteen subsidised and collateral-free MSME loan cases (ticket sizes of roughly ₹5 lakh to ₹10 crore) that were registered and disbursed between 1 July and 31 August 2026 through the MSME desk of a Pune chartered accountancy firm. Using participant observation, structured discussions and anonymised file records, the study maps an eleven-stage workflow, compares scheme-wise documentation, measures stage-wise turnaround time (TAT) and classifies the sources of delay. Files needed an average of 50 working days from onboarding to disbursement. Pre-application preparation and bank appraisal each absorbed about one-third of that time, and clarification rounds a further 18%. Delay was attributed to client-side readiness in 57% of cases, to bank or agency procedures in 43% and to firm-side preparation in 20% (categories overlap). The evidence suggests that case-level readiness, rather than the choice of scheme, is the dominant driver of TAT, and that low-cost process controls at the intermediary level can shorten files without any change in scheme rules.

Keywords: *MSME finance; subsidised lending; PMEGP; CMEGP; PMFME; turnaround time; loan processing; bottlenecks; credit intermediation*

1. Introduction

Micro, small and medium enterprises (MSMEs) are a major source of output, exports and non-farm employment in India, but they remain under-served by formal credit. Thin credit histories, scarce collateral, informal bookkeeping and the high unit cost of small loans make banks cautious, and the same features leave first-generation entrepreneurs unsure how to approach an institutional lender at all (Beck & Demirgüç-Kunt, 2006; Berger & Udell, 1998). Central and state governments have responded with credit-linked programmes such as the Prime Minister's Employment Generation Programme (PMEGP), Maharashtra's Chief Minister's Employment Generation Programme (CMEGP), the PM Formalisation of Micro Food Processing Enterprises (PMFME) scheme, and collateral-free lending backed by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

Scheme portals describe eligibility and subsidy rates in detail, but they rarely say how long processing takes or where files stall. Applicants, junior consultants and even some bank staff therefore have no consolidated, evidence-based view of stage-wise turnaround time (TAT). This paper looks at that gap from the practitioner's side. It follows the whole cycle of subsidised MSME loan processing at a Pune-based chartered accountancy firm whose MSME desk prepares financial analysis, Credit Monitoring Arrangement (CMA) data and Detailed Project Reports (DPRs) and liaises with banks and implementing agencies.

The study asks four questions: (RQ1) what stages make up the end-to-end process and who controls each; (RQ2) what documentation, compliance and financial information each scheme demands; (RQ3) how is TAT distributed across stages; and (RQ4) where do the main bottlenecks arise, and what practical measures could reduce them.

2. Conceptual Background

Why subsidy and guarantee support exist. Stiglitz and Weiss (1981) showed that when lenders cannot observe borrower risk, raising interest rates can worsen the applicant pool through adverse selection and induce riskier projects, so lenders may ration credit instead of pricing it. Small, collateral-poor borrowers bear most of that rationing. A back-end capital subsidy (PMEGP, CMEGP, PMFME) or a credit guarantee (CGTMSE) can be read as a directed-credit response: it lowers the lender's exposure and the borrower's effective cost of capital at the same time, and the higher subsidy slabs for women, SC/ST and rural applicants build a financial-inclusion objective into scheme design.

Why intermediaries matter. In agency terms (Jensen & Meckling, 1976), a facilitating firm acts for the entrepreneur in a document-heavy public process while also supplying the bank with a file it can appraise. Where the intermediary's fee and reputation depend on timely, accurate files, it narrows the information gap between borrower and lender. For analysing delay, the study borrows the notion of a bottleneck from operations management, the point where flow is constrained relative to the stages around it (Goldratt & Cox, 1984), and treats a subsidised loan as a five-stage life cycle: counselling and eligibility screening; financial analysis and documentation; filing and scrutiny; sanction and disbursement; and post-disbursement compliance, including subsidy adjustment.

Scheme parameters. Table 1 summarises the schemes encountered on the desk. Enterprise size is determined under the Udyam framework, whose limits were raised with effect from 1 April 2025 to investment of ₹2.5 crore, ₹25 crore and ₹125 crore and turnover of ₹10 crore, ₹100 crore and ₹500 crore for micro, small and medium enterprises respectively (Ministry of MSME, 2025).

Table 1. Scheme parameters and distinctive documents

Scheme	Support	Project-cost ceiling	Scheme-specific documents (beyond KYC, project report, bank details)
PMEGP	15–35% margin-money subsidy	₹50 lakh (manufacturing); ₹20 lakh (service)	Caste/category certificate, quotations, EDP certificate (if any)
CMEGP	15–35% back-end subsidy	₹50 lakh (manufacturing); ₹20 lakh (service/agri-based)	Domicile proof, category certificate, bank account details
PMFME	35% credit-linked subsidy	Subsidy capped at ₹10 lakh	FSSAI registration proof, machinery quotations, ODOP mapping
General MSME / CGTMSE	Guarantee cover, no subsidy	Case-specific	Udyam registration, two to three years' financials, GST returns, collateral-free undertaking

Source: official scheme portals (KVIC, Directorate of Industries Maharashtra, Ministry of Food Processing Industries, CGTMSE) and the firm's document checklists.

3. Research Methodology

The study is descriptive and analytical and uses a case-based design, because the aim was to document and measure an operating process rather than to test a hypothesis. The sample comprises fifteen MSME loan cases that the author handled, assisted with or closely observed at the firm's Pune office between 1 July 2026 and 31 August 2026. Every case in the sample reached loan registration and disbursement; the study therefore examines the conditions that supported completion and does not analyse rejected or pending files. Ticket sizes spanned roughly ₹5 lakh to ₹10 crore, and all cases were sourced from Pune district and surrounding talukas.

Primary data came from taking part in client meetings, collecting documents, preparing CMA data and drafting DPRs; from structured conversations with the supervising chartered accountant and desk staff; and anonymised case-file data on scheme, stage dates and outcomes. Secondary data came from official scheme portals and guidelines and from published work on MSME finance. Analysis relies on tabulation, percentages and averages, process mapping, and comparative tables. Reliability was supported by a dated case log kept from the start of the internship and by cross-checking stage dates against file records and bank correspondence where available. Because client financials are confidential, case information is aggregated or anonymised.

4. Results and Analysis

4.1 The end-to-end process and who controls it (RQ1)

Every case passed through the same eleven stages, from client requirement to disbursement, regardless of scheme (Table 2). What differed was the time each stage consumed. Four stages sit mainly with the firm (financial analysis, CMA preparation, project report, scheme assessment), three mainly with the client, and four with the bank (36.4%, 27.3% and 36.4% of stages respectively). Responsibility for TAT is therefore shared, and an effort aimed at only one party would leave most of the timeline untouched.

Table 2. Process stages, primary owner and typical duration

No.	Stage	Primary owner	Typical duration (days)
1	Client requirement	Client / firm	1–2
2	Document collection	Client	3–10

No.	Stage	Primary owner	Typical duration (days)
3	Financial analysis	Firm	2–4
4	CMA preparation	Firm	3–6
5	Project report (DPR)	Firm	2–5
6	Scheme / eligibility assessment	Firm	1–2
7	Application	Firm / client	1–2
8	Bank appraisal	Bank	10–25
9	Clarifications / compliance	Client / firm / bank	3–15
10	Sanction	Bank	2–5
11	Disbursement	Bank	2–7

Source: author's case log and discussions with desk staff.

4.2 Documentation, compliance and financial information (RQ2)

Comparing checklists across the four scheme types (Table 1) shows a common core of identity and address proof, a project report and bank details, with scheme-specific additions that applicants seldom anticipate before their first meeting: category and domicile certificates for PMEGP and CMEGP, FSSAI proof for PMFME, and multi-year financial statements and GST returns for general MSME loans. All fifteen cases satisfied the full set of compliance requirements tracked by the firm (KYC, GST and tax documents, bank statements, financial statements, CMA data, project report, scheme-eligibility documents and the loan application with supporting papers) before closing, and post-disbursement follow-up was handled as part of closing rather than as a separate exercise.

The financial core of each file is the CMA data, which presents operating statements, balance-sheet items and ratios over actual, estimated and projected years: turnover, operating profit, EBITDA, depreciation and interest, working-capital gap and net worth, together with the current ratio, debt–equity, TOL/TNW, DSCR and interest coverage. Because banks read the ratios first, an inconsistency between the financial statements, the projections and the project report tends to surface later as an appraisal query. The firm therefore made cross-checking of financial data before submission a fixed step. One PMFME case, a small snacks manufacturer, shows why: valid FSSAI registration, well-kept records and ready supporting documents allowed financial analysis, CMA and the project report to be completed without repeated clarification.

4.3 Turnaround time by stage (RQ3)

Averaged across the fifteen cases, onboarding-to-disbursement took 50 working days (Table 3, Figure 1). Grouping the six measured segments makes the pattern clear. Pre-application preparation (document collection, financial analysis and CMA, project report and eligibility) took 17 days, or 34% of the total. The interval from application to bank appraisal also took 17 days (34%). Clarification and compliance rounds added 9 days (18%), and sanction to disbursement 7 days (14%). Bank-controlled segments together account for roughly 48% of elapsed time, and the remaining 52% lies in stages that the client and firm can influence directly.

Table 3. Stage-wise average turnaround time (15 cases)

Stage	Average duration (working days)	Share of total TAT
Client requirement to document collection	6	12%
Financial analysis and CMA preparation	7	14%
Project report and eligibility assessment	4	8%
Application to bank appraisal	17	34%
Clarifications and compliance	9	18%
Sanction to disbursement	7	14%

Stage	Average duration (working days)	Share of total TAT
Total (all 15 cases registered and disbursed)	50	100%

Source: author's case log. Percentages are rounded.

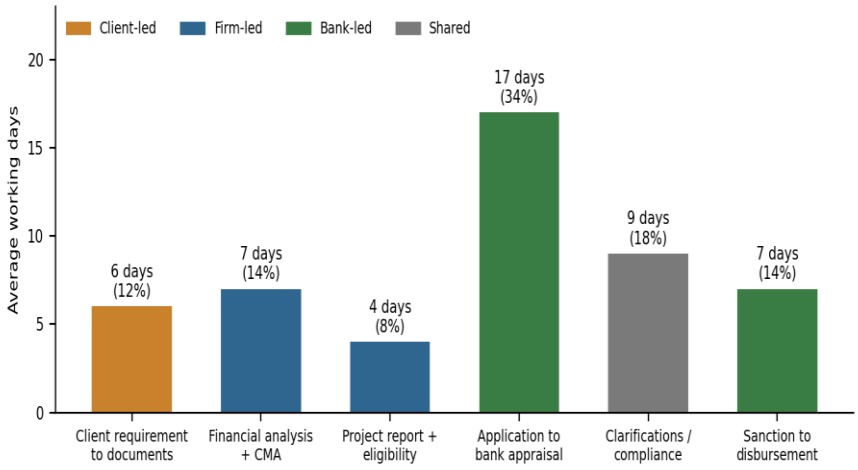


Figure 1. Average working days by stage, coloured by the party that mainly controls it

One CMEGP file, for a first-generation entrepreneur setting up a food-packaging unit, shows how an early delay carries through the rest of the process. Assembling the documents took nine days, mainly because the applicant's category certificate was issued by the taluka office. The CMA and project report were ready four days after the papers were complete, filing happened on day 15, and the bank's appraisal, which included a site inspection, lasted 19 days. A single query about machinery quotations added six days, and sanction (three days) and disbursement (four days) followed. The file closed in roughly 47 working days, near the sample average, even though the later stages went largely as expected.

4.4 Bottlenecks and their sources (RQ4)

Delay was classified by the party responsible for the stalled step (Table 4). Because one file can be slowed by more than one party, the shares overlap and sum to more than 100%; with fifteen cases they should be read as indicative frequencies rather than precise estimates. Client-side factors were the most frequent, followed by bank or agency procedures and then firm-side preparation.

Table 4. Bottleneck source analysis (categories overlap)

Source	Typical manifestation	Share of cases affected
Client-side	Incomplete or late documents, slow responses, missing certificates	57%
Bank / agency-side	Appraisal and technical scrutiny, sequential queries, sanction and disbursement formalities	43%
Firm-side	Data validation, CMA/DPR preparation, file coordination	20%

Source: author's case log and discussions with desk staff.

Looking at the schemes one by one adds some detail. General MSME and CGTMSE-backed files drew the most bank queries, consistent with deeper financial scrutiny, whereas PMEGP and CMEGP files more often stalled on category and domicile paperwork. A general term-loan case from an engineering job-work unit shows a coordination bottleneck that is easy to miss: the bank raised three clarifications (stock-statement reconciliation, a change in promoter shareholding, and an updated GST return) one after another over five weeks. No single query was unreasonable, but their sequential arrival added roughly a week each. A facilitator can partly manage this by anticipating likely queries and answering them in the first submission.

5. Discussion

Three points stand out. First, the process is standard but its duration is not: all cases followed the same eleven stages, so differences in TAT come from how quickly each stage is completed, and the largest controllable block sits before the file reaches the bank. A document gap at stage 2 cannot be recovered later, which is why the end-to-end view matters; the stage at which a delay becomes visible is often not the stage at which it began. Second, readiness outweighs scheme choice. Cases ranging from ₹5 lakh to ₹10 crore and spanning different schemes all completed, and the delays recorded were traceable

to document availability, data consistency and query handling rather than to scheme rules. Third, responsibility is shared, so measures must work on three fronts at once.

Gap analysis at the host firm identified four practices that explain much of the controllable delay: checklists depended on individual staff memory rather than a written scheme-wise standard; CMA and DPR documents were prepared afresh for each case instead of from reusable sector templates; case tracking was informal and file-by-file, so delays were noticed after they occurred; and client onboarding relied on a verbal briefing rather than a document-readiness kit. Each is inexpensive and sits inside the firm's control. This fits the agency-theory reading in Section 2: the more the intermediary standardises what it asks of clients and what it gives banks, the less information asymmetry remains to be resolved through repeated queries. Observation also suggested that clients who were told why a document was needed, not merely which one, responded faster.

6. Recommendations

The measures in Table 5 target the controllable segments identified above. None requires a change in scheme guidelines or bank policy, so all can be introduced at the firm level in the short term.

Table 5. Recommended actions, owners and indicative timelines

Action	Suggested owner	Indicative timeline
Written, scheme-wise document checklists, including post-disbursement compliance documents and a one-page client quick-reference sheet	Senior staff / supervising CA	2–4 weeks
Stage-wise TAT tracker that flags files exceeding typical stage duration, plus a cumulative bottleneck log	Office administrator	2–3 weeks
Preliminary document and data verification with the client before filing	Case-handling staff	Immediate
Reusable CMA/DPR template library by sector (food processing, manufacturing, services)	Senior staff	4–6 weeks
Scheduled follow-up cadence with clients and banks, with likely bank queries anticipated in the first submission	Case-handling staff	Immediate
Shared digital document links, checklist messaging and e-signatures to cut physical back-and-forth	Firm-wide	4–8 weeks

Source: author's synthesis of the findings in Section 4.

7. Limitations

The findings should be read as indicative. The sample is small (fifteen cases), drawn from one firm in one district over two months, and consists only of files that were successfully disbursed. Excluding rejected and pending cases means the study describes how successful files move and may understate the causes of failure. Bottleneck percentages are not mutually exclusive, and averages mask variation by ticket size and scheme. Scheme ceilings, subsidy rates and enterprise-classification limits are revised periodically, and the paper reflects the position during the study period. Future work could track a larger multi-firm sample that includes rejected files and test whether the recommended controls reduce TAT over time.

8. Conclusion

Subsidised MSME loan processing is a multi-party, eleven-stage workflow in which time is lost mainly through the readiness and consistency of information rather than through the design of the schemes. In the fifteen cases studied, files averaged 50 working days; about a third of that time went to pre-application preparation, another third to bank appraisal, and nearly a fifth to clarification rounds. Client-side documentation gaps were the most frequent source of delay, while sequential bank queries added avoidable waiting. Standardised checklists, reusable templates, stage-wise tracking, early verification and scheduled follow-up are low-cost measures that can shorten the controllable part of the cycle, and the same approach may be useful to other small advisory practices working with first-generation entrepreneurs.

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