

Pradhan Mantri Mudra Yojna : A critical review

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Abstract

In India most of the people are depending upon small scale businesses as their source of livelihood. Most of the individuals depend on unorganised sectors for loans and other credit facilities which have high rate of interest along with unbearable terms and conditions. Ultimately it will lead these poor people to fall in debts.

The primary point behind the monetary consideration is to cover the all segment of population under monetary administrations. Government of India (GOI) has introduced some of the major steps to “fund the unfunded” micro enterprises segment. One of the initiatives taken by Government of India (GOI) is Pradhan Mantri Mudra Yojana (PMMY) which plays an important role in achieving the success of financial inclusion. After identifying the importance of self-employment people and small business units, government of India launched the Mudra Bank Scheme under Pradhan Manthri Mudra Yojana to provide financial assistance to MSMEs who provide employment to a large number of people targeted towards mainstreaming young, educated or skilled workers and entrepreneurs including women entrepreneurs. This paper is an attempt to know about the MUDRA Yojana and its key objectives. An attempt has been made in this paper to analyze the product offerings and performance so far of the scheme.

Keyword - PMMY, MSMEs, Mudra Bank, *Mudra, Micro Credit,*

I. INTRODUCTION

Finance is one of the most important things to fight poverty and provide opportunities. Financial Inclusion is one of the most treasured strategies in India. Financial Inclusion means process of ensuring access to appropriate financial services to all the sections of society such as low income groups and weaker section at an affordable rate. Government of India (GOI) has been introduced a number of financial inclusion initiatives such as Pradhan Mantri Mudra Yojana (PMMY), Pradhan Mantri Jeevan Jyoti Beema Yojana (PMJJBY), Pradhan Mantri Jan Dhan Yojana (PMJDY), Atal Pension Yojana (APY) and Pradhan Mantri Surakhsha Beema Yojana (PMSBY) etc. for the small business man, weaker section, low income groups and micro enterprises.

The MSME sector is an important pillar of the Indian Economy and currently contributes to about 44% of the total national GDP and about 45% of exports. Micro-enterprises constitute an important pillar of Indian economy and are among the among the top two employment generating sectors as they account for more than 90% of total number of enterprises and also 90% of non-agriculture employment. The sector continues to grow despite issues like non availability of credit, limited market linkages, technology obsolescence etc. Therefore, any economic policy discussion or decision or reform such as access to credit must include and involve the MSMEs, especially entrepreneurship/self-employment at the bottom of the economy.

Small businesses are not in a position to play their role effectively due to various constraints. Raising finance is one of the biggest problems for this sector. The major constraints faced by the myriad of the MSMEs along the length and breadth of the country include

- Access to Finance
- Skill Development Gaps
- Knowledge Gaps
- Infrastructure Gaps
- Policy Advocacy Needs
- Information Asymmetry
- Lack of growth orientation
- Lack of Market Development / Market Making
- Entry Level Technologies

A vast part of the non-corporate sector operates as unregistered enterprises. They do not maintain proper Books of Accounts and are not formally covered under taxation areas. Therefore, the banks find it difficult to lend to them. Majority of this sector does not access outside sources of finance. PMMY aims to bank the unbanked. The objective of PMMY is to support the entrepreneurs of the above mentioned class via Micro Units Development and Refinance Agency (MUDRA) Bank.

The PM Mudra Yojana (PMMY) is a positive effort to fulfill the credit needs of the micro businesses and self-employed individuals, the majority of whom are in the informal sector and thereby address the biggest obstacle to their socio-economic growth. As the Honorable Prime Minister of India, Shri Narendra Modi observed at the launch of the MUDRA Yojana in 2015, *"...people tend to think that it is the big industries and corporate houses that provide greater employment. The truth is, only 12.5 million people are employed by big corporate houses, against 120 million by the MSME sector. We need to understand the energy of the individuals at the bottommost level and provide them with means for upliftment"*. In a nutshell, the government, through the new institution called MUDRA established in 2015 seeks to achieve three broad objectives viz. Promoting entrepreneurship and employment at the grassroots, developing micro businesses through greater access to credit / finance and Reviewing and refinancing banks and MFIs that lend to micro and small entrepreneurs.

The objective of PMMY is to support the entrepreneurs of the above mentioned class via Micro Units Development and Refinance Agency (MUDRA) Bank. To remove the financial difficulties faced by micro and small business units the GOI (Government of India) launched a scheme on 8th April 2015 called Micro Unit Development and Refinance Agency, or MUDRA to 'fund the unfunded' under the scheme of Pradhan Mantri MUDRA Yojana (PMMY).

Micro Units Development & Refinance Agency Ltd (MUDRA) was set up by the Government of India (GoI). MUDRA has been initially formed as a wholly owned subsidiary of Small Industries Development bank of India (SIDBI) with 100% capital being contributed by it. Presently, the authorized capital of MUDRA is 1000 crores and paid up capital is 750 crore, fully subscribed by SIDBI. More capital is expected to enhance the functioning of MUDRA. This Agency would be responsible for developing and refinancing all Micro-enterprises sector by supporting the finance Institutions which are in the business of lending to micro / small business entities engaged in manufacturing, trading and service activities. .MUDRA would partner with Banks, MFIs and other lending institutions at state level / regional level to provide micro finance support to the micro enterprise sector in the country

II. OBJECTIVES OF THE STUDY

- To get the overview of Pradhan Mantri Mudra Yojana (PMMY)
- To know the Objectives of MUDRA BANK
- To understand the Product offerings of MUDRA BANK.
- To analyse the Performance of the MUDRA scheme.

III. METHODOLOGY

The data and information for the study is gathered from secondary sources like newspapers, magazines, various websites including website of MUDRA Yojana.

IV. DATA ANALYSIS

PROGRESS MADE UNDER PMMY

Pradhan Mantri Mudra Yojna (PMMY) has completed three years in year 2018 since its inception. An amount of Rs. 5.71 lakh crore has been sanctioned under the programme, benefiting nearly 12.27 crore loan account, in the first three years of programme.

In India despite having a vast banking network, there are many micro units which are outside the formal banking sector. According to NSSO survey, there are 5.77 crore small business and micro units majority of them owned by people belonging to scheduled caste, scheduled tribe, or other backward classes (OBC). Of these only 5% have access to formal credit institutions and rest have to rely upon informal sources for funding their business. The purpose of the launch of PMMY was to bring them under the formal credit channel as part of financial inclusion process.

During the first year, an amount of Rs. 1.22 Lakh crore was set as the target under PMMY, against which an amount of Rs. 1.37 Lakh crore was sanctioned by banks and MFI and thereby achieving the target comfortably. During the second year i.e. 2016-17, the target set was at Rs. 1.80 Lakh crore and the same was achieved.

More than Rs. 2.53 Lakh crore has been sanctioned in FY 2017-18 – 3rd year of operations, as against target of 2.44 lakh crore.

The achievement data indicate a 41% growth over the previous year in the overall performance of the programme by all institutions. While the growth in respect of public sector banks is at 29%, the same increased significantly by 27% for private sector banks. The growth of RRBs was at 29%.

KEY OBJECTIVES OF MUDRA YOJANA

Pradhan Mantri Mudra Yojana has come as a boon for MSME (Micro, Small and Medium Enterprises) sector and is widely hailed as a robust measure to achieve inclusive growth.

The Principal Objectives of the MUDRA Bank under Mudra Yojana

- Regulate the lender and the borrower of microfinance and bring stability to the microfinance system through regulation and inclusive participation.
- Extend finance and credit support to Microfinance Institutions (MFI) and agencies that lend money to small businesses, retailers, self-help groups and individuals.
- Register all MFIs and introduce a system of performance rating and accreditation for the first time. This will help last-mile borrowers of finance to evaluate and approach the MFI that meets their requirement best and whose past record is most satisfactory. This will also introduce an element of competitiveness among the MFIs. The ultimate beneficiary will be the borrower.
- Provide structured guidelines for the borrowers to follow to avoid failure of business or take corrective steps in time. MUDRA will help in laying down guidelines or acceptable procedures to be followed by the lenders to recover money in cases of default.
- Develop the standardised covenants that will form the backbone of the last-mile business in future.
- Offer a Credit Guarantee scheme for providing guarantees to loans being offered to micro businesses.
- Introduce appropriate technologies to assist in the process of efficient lending, borrowing and monitoring of distributed capital.

MAJOR PRODUCT OFFERINGS

Under the scheme of PMMY, MUDRA Bank has rightly classified the borrowers into three segments: the starters, the mid-stage finance seekers and the next level growth seekers.

To address the three segments, MUDRA Bank has launched three loan instruments

Shishu: covers loans up to Rs 50,000/-

Kishor: covers loans above Rs 50,000/- and upto Rs 5 lakh

Tarun: covers loan above Rs. 5 Lakh and upto Rs. 10 Lakh

PERFORMANCE OF MUDRA LOAN

1. Performance of Mudra loan from year FY 2015-2018.

- Total Amount sanctioned under the program - Rs. 5.71 lakh crore
- Total number of beneficiaries account - 12.27 crore
- Total number of small business/ micro unit present in India - 5.77 crore.
- Total number of micro units have access to formal credit institutions - 5% (nearly 28 lakh)

2. Agency wise performance

- Total amount sanctioned and distributed by public sector banks in 2017-18 is Rs. 92492.68 crore.
- Total amount sanctioned and distributed by private sector banks in 2017-18 is Rs. 49545.11 crore.
- Total amount sanctioned and distributed by Regional Rural Banks (RRB) in 2017-18 is Rs. 15545.11 crore.
- Total amount sanctioned and distributed by small finance banks (SFB) in 2017-18 is Rs.19022.89 crore.
- Total amount sanctioned and distributed by Micro finance Institutions in 2017-18 is Rs. 50,143.75 crore.
- Total amount sanctioned and distributed by Non Banking Finance corporations (NBFCs) in 2017-18 is Rs. 27,018.16 crore.

Hence the total amount sanctioned and distributed by all agencies are Rs. 2, 53,767.70 crore

3. Category wise performance of Mudra loan –

Mudra loans are extended in three categories based on the size of the loans. They are Shishu (up to 50,000), Kishor (above Rs. 50,000 and up to Rs. 5 Lakh) and Tarun (Above Rs. 5 Lakh and upto Rs. 10 Lakh). The share of these three categories of PMMY was analysed and given below.

- Total Number of loan accounts under shishu categories for 3 years from 2015-18 - 11,15,68,654.
- Amount sanctioned cumulative for 3 years from FY 2015-2018 under shishu categories - Rs. 2,53,997 crore.
- Average loan size under shishu categories – Rs. 24800
- Total Number of loan accounts under kishor categories for 3 years from 2015-18 - 93, 86,837.
- Amount sanctioned cumulative for 3 years from FY 2015-2018 under shishu categories - Rs. 1,833,29 crore.
- Average loan size under kishor categories – Rs. 1,80,000.
- Total Number of loan accounts under Tarun categories for 3 years from 2015-18 - 17,57,073
- Amount sanctioned cumulative for 3 years from FY 2015-2018 under tarun categories - Rs. 1,34,327 crore.
- Average loan size under tarun categories – Rs. 7,75,000.

Out of this, nearly 9 crore account holder are women and participation of women was nearly 70% in terms of loan account. The amount sanctioned to women is nearly 2.65 lakh crore and participation of women was nearly 40% in terms of amount sanctioned. The number of women borrower in shishu category was 75%. The weaker sections of the society accounted for 55% of loan accounts and 34% of amount sanctioned. The share of SC, ST and OBC categories were 18%, 5% and 32% respectively, in terms of loan account. Here major portion of their share belong to shishu category.

The minority category of borrowers accounted for 11% and 10% respectively of loan account and loan amount.

Among the three categories, shishu loan had the highest share of 88.65 % in terms of number of account and which was followed by kishor and tarun.

4. State-wise performance –

Of all the states , TamilNadu topped with Rs. 25,331 crore sanction for year 2017-18 and closely followed by Karnataka with 23,000 crore and Maharashtra stood at third with 22,700 crore for year 2017-18.

5. NPA OF MUDRA LOAN SCHEME

Those monitoring banking sectors of India have raised concerns about Mudra Loans becoming a big liability for the banks in near future. Some of the experts have calculated the Mudra Yojana NPA figures at over 14,350 crore in the short span of three years.

- Though there has been tremendous response to the ambitious Micro Units Development and Refinance Agency (MUDRA) loan scheme nation-wide, it has come to fore that, loans of Rs 16,258.71crore have been classified as Non-Performing Assets (NPAs).
- Independent verification brought to fore that the number of MUDRA loan accounts categorized as NPAs was 17,99,000 as on March 31, 2018, and these involved an amount of Rs 9,769.99 crore. Comparing the data available, it becomes clear that in only nine months of the year 2018 (From April 1 to December 31), the number of loan accounts that became NPAs increased by 14,96,751 and the amount involved rose by Rs 6,488.72crore, i.e. by over 66%.
- As far as the data for the state of Maharashtra is concerned, MUDRA Limited records show that total 1,41,18,217 loan proposals were sanctioned between January 1, 2015 and December 31, 2018

MUDRA loan disbursement in India		
Year	No of loans sanctioned	Amount disbursed (D)
2015-16	3,48,80,924	1,32,954.73 cr
2016-17	3,97,01,047	1,75,312.13 cr
2017-18	4,81,30,593	2,46,437.40 cr
* 2018-19	3,06,14,128	1,54,918.59 cr
Total	15,33,26,692	7,09,622.85 cr

MUDRA loan disbursement in Maharashtra		
Year	No of loans sanctioned	Amount disbursed (D)
2015-16	35,35,065	13,372.42 cr
2016-17	33,44,154	16,976.76 cr
2017-18	35,96,620	22,266.20 cr
* 2018-19	36,42,378	20,430.19 cr
Total	1,41,18,217	73,045.57 cr

Source : The Hitavada

- It is to be noted that loans taken under the MUDRA scheme do not require collaterals as they are aimed at boosting the confidence of small businesses, and young, educated and skilled workers to enable them to become first generation entrepreneurs.
- Former RBI Governor Raghuram Rajan, who had predicted the global financial crisis of 2008, three years in advance, had raised a red flag on the spike in non-performing assets under MUDRA scheme, which was launched in April 2015 by Prime Minister Narendra Modi.

What Do Bankers Say

The Mudra NPA could be a serious issue for the government coming in 2019. A senior State Bank of India official told India Today that "having no-collateral for a loan that is being pushed by the government is bound to fail. The government wants us to sanction loans to anyone who comes to us but most of these applicants don't have any business plan. A lot of Mudra loans are being issued against banking principles."

"Many people approach to sanction loans to the females in their families. The Mudra scheme is designed such as to give preference to women entrepreneurs. This has led to creation of a pool of proxies, who claim to turn entrepreneurs. If we don't sanction loans to them under Mudra Yojana, they register complaint and if we do, we know they will harm the bank," the bank official said.

Measures taken against defaulters

- According to Minister of State for Finance Shiv Pratap Shukla , almost 73% of the loans under Pradhan Mantri Mudra Yojana have been extended to women borrowers. The RBI has apprised that the list of suit-filed defaulters of Rs 1crore and above and the list of suit-filed wilful defaulters of Rs 25Lacs and above are available in public domain on the websites of Credit Information Companies (CICs).
- RBI has also apprised that the list of non-suit filed defaulters of Rs 1crore and above and non-suit filed wilful defaulters of Rs 25Lacs and above is confidential in nature and is exempted from disclosure under section 45E of the Reserve Bank of India Act, 1934.
- Further, the RBI has advised all banks and financial institutions to submit the said list to all CICs directly and not to the RBI from December 2014 onwards.

V. CONCLUSION

The study concludes that PMMY is a great initiative taken by the GOI. Due to it, there is a big change in the area of micro finance. The scheme will help the weaker section, low income group and unfunded population and also will increase the competition. Financial inclusion through PMMY increases the opportunities for credit requirement and refinance

Growth of MSMEs will contribute to the development of 'Make in India' initiative. Launching bank like MUDRA will hugely benefit to small manufacturing units and self-employed individuals in rural and urban areas. PMMY scheme will contribute to the well-being of the individuals engaged in small scale industries which will positively affect the progress of the economy as a whole.

MUDRA creates a vision of formalizing the informal and thereby funding the unfunded. Its role as an apex refiner, providing low-cost finance is likely to be its USP, thereby hoping to fill a yawning gap in India's microfinance space. These measures will greatly increase the confidence of our young educated and skilled workers who are able to become the first generation enterprises, and existing small businesses will be able to expand their activities.

NPAs increased by 14,96,751 and the amount involved rose by Rs 6,488.72crore, i.e. by over 66%. Some measures are taken against defaulters like , the RBI has apprised that the list of suit-filed defaulters of Rs 1crore and above and the list of suit-filed wilful defaulters of Rs 25Lacs and above are available in public domain on the websites of Credit Information Companies (CICs) and the RBI has also apprised that the list of non-suit filed defaulters of Rs 1crore and above and non-suit filed wilful defaulters of Rs 25Lacs and above is confidential in nature and is exempted from disclosure under section 45E of the Reserve Bank of India Act, 1934.

Just as banking the unbanked, MUDRA banks main aim is funding the unfunded. It perceives that because of dispatch of this plan, monetary consideration has expanded towards positive heading. So it can be said that if it is implemented properly, it may work as a game changing financial inclusion initiative of Government of India and may boost the Indian economy.

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