

# A STUDY ON INDIAN ECONOMY AND GOVERNMENT POLICIES ON WEAKER SECTIONS

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## Abstract

This paper is presented to analyse the implications of schemes initiated by the Government, especially POLICY in financial inclusion and upliftment of weaker section of the economy. Various financial inclusion initiatives launched by the Indian government to stimulate and boost weaker sections of the society. The Hon'ble Prime Minister inaugurated the PMMY on April 8, 2015, to provide loans of up to ten lakh to non-farm micro/small and non-corporate enterprises.

**Keywords:** Financial Inclusion, Policy, Micro Credit, Microfinance,

## I. INTRODUCTION

POLICY supplements the efforts of the existing institutions by providing funding support through refinance and securitization of loan assets, to extend financial assistance to borrowers from micro enterprises. Commercial Banks, Regional Rural Banks (RRBs), Cooperative Banks, NBFCs and MFIs engaged in financing micro enterprises are eligible for refinance support from POLICY.

## II. POLICY SCHEME

Finance is a key significant factor in setting up a new start-up. It acts as a blood which is necessary for the survival of the business. Government helps small and new startups by introducing different schemes in financial inclusion. It facilitates financial services to all categories of society starting from micro-enterprise to medium enterprise as well as small enterprises at affordable rates. POLICY Yojana is a flagship scheme launched by the Hon'ble Prime Minister on 8th Apr, 2015 for providing financial assistance of up to ten lakhs to non-farm micro/small and non-corporate enterprises at affordable rate and terms. Policy loans have been formed to provide enterprises a rational financial system, or to “fund the unfunded”. Policy loan serves a variety of purposes that helps in generating employment and income in various segments like Manufacturing, Services, Retail, and Agri. Allied Activities.

Policy Loans has classified its products into 3 categories i.e., “Shishu”, “Kishor” and “Tarun”. These products have been classified into 3 categories based on the amount of financial assistance which ranges from 50,000 to 10,00,000. The classification has been done to signify the development stages of the product and the financial needs of micro, medium, and small enterprises. The above-said products are being offered by Commercial & Cooperative Banks, RRB's, SFBs, Microfinance Companies, and NBFCs.

## 1. PURPOSE OF POLICY LOAN

There are various purpose covered under the umbrella of Policy Loan which in turn generate income and employment in the economy. These loans serve the following purposes:

- Business Loans for enterprises engaged in Trading, manufacturing, and other Service Sector activities.
- POLICY Cards for facilitating Working Capital Loans.
- Financing to Micro Units for Plant & Machinery.
- Loans for Vehicles used for commercial purposes.
- Loans for non-farm income-generating activities like poultry and book keeping.

## 2. BENEFITS OF POLICY LOAN

- The scheme offers financial assistance to micro, medium, and small enterprises engaged in generating income.
- One of the major benefits of a Policy loan is no mortgage/pledge is required to be offered by the borrowers in the form of collateral security.
- No processing fee is charged on lending loans under the Policy scheme.
- Both fund and non-fund-based requirements are covered under the Policy scheme. Hence, loans offered under the Policy scheme can be utilized for all sorts of financial requirements like term loans, overdraft facilities, letters of credit, and bank guarantee.
- Under Policy loans, there is no minimum cap limit.
- The interest rate on loans under Policy schemes is determined by the Marginal Cost of Lending Rate, the MCLR is calculated as per guidelines formulated by RBI and is very low as compared to other loan facilities provided by banks.

## 3. FINANCIAL INCLUSION AND PMMY

Reserve Bank of India had set up a board under Shri Deepak Mohanty, Executive Director to look the medium term way on money related incorporation. The board of trustees shaped under the direction of Shri Deepak Mohanty examined issue with respect to credit and protection to the monetarily avoided gatherings. Towards accomplishing full money related consideration crosswise over credit and protection Government of India had propel led Pradhan Mantri Policy Yojana.

## III. OBJECTIVES OF THE STUDY

- To study the purposes, benefits of the POLICY Yojana scheme.
- To analyse the performance of POLICY Yojana scheme

## IV. METHODOLOGY USED IN THE STUDY

The data used for the research has been extracted from annual reports generated from official website of POLICY Yojana. For fulfilment of objectives, the 3 variants of POLICY Loan have been referred i.e., 'Shishu' (credit amount up 50,000), and 'Kishore' credit amount between (50000 to 5 Lakh) and Tarun (maximum credit 10 Lakh). Also, all 29 States and 7 Union Territories have been re-classified into further categories based on the region i.e., East, West, North, and South. All the lenders i.e., financial Institutions under the Scheme has been classified based on the category under which they fall as the RBI guidelines i.e., Public Sector Banks, Regional Rural Banks, Private Sector Banks including Foreign Banks, NBFC & Non-NBFC-MFIs and Small Finance Banks. The statistical tools used in the said research are percentage share, percentage growth, and Graphs.

### SWOT ANALYSIS

#### ➤ STRENGTHS

The scheme can give support and empower the needy people and small business

- The scheme having the Interest rates which are nominal
- It is very easy to apply for loan.
- It also makes a credit guarantee to the one who has taken the loan. It means that the person will not only go into debts. The government will also have to bear the responsibility of the loan.
- There are certain agents hired under the committee who will guide on how to organize and process a business so that there are minimum risks of getting a negative result.
- All the small business units and sectors will be placed under the surveillance, and a regular evaluation will be made based on their performance.

#### ➤ WEAKNESSES

**There can be a potential of conflict of interest due to the nature of roles and responsibilities of POLICY Bank.**

- There can be the promotion of shadow banking.
- There can be multiple regulators for MFIs.
- There is unawareness about the scheme.

#### ➤ OPPORTUNITIES

- There can be more focus on job creation
- There can be an extension of the Scheme to personal sector other than farms and factories.
- There can be more collaboration with the MFIs.
- There can be more encouragement for women entrepreneurs and can be attached to the scheme.

## ➤ THREATS

- There is a better solution to finance micro and small businesses.
- There are number of already existing refinancing agencies.
- There can be confusion due variable interest rates.

## RECOMMENDATIONS

- Scheme can be extended to personal sector other than farms and factories. They can start a loan funding of less than Rs 50,000 so that the gap of 0-50000 can be fulfilled.
- There should be more concentration on the minority sector.
- POLICY card can be used more intensively in the future.
- Women entrepreneurs should be more encouraged to wipe out the difficulties faced by them.

## V. CONCLUSION

The study concluded 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. The introduction of the national plan PMMY with other type of financial inclusion initiative, yield a valuable result. The PMMY conspire is certain to take our country forward to the future. MFIs contributed significantly for the financing women under PMMY. It perceives that because of dispatch of this plan, monetary consideration has expanded towards positive heading. So it can be say 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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