

MUDRA YOJANA A BOON TO YOUNG ENTREPRENEURS: A CRITICAL APPRAISAL

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Abstract

Financial Inclusion remains a prominent factor in boosting an economy's growth where all individuals have an equal access to financial services. Microfinance is a category of financial services targeting small businesses and individuals who don't have an access to other conventional banking facilities. The Micro units development and refinance agency limited (MUDRA) launched by our honourable Prime Minister Shri Narendra Modi on 8th April, 2015 supports banks, micro finance institutions, non banking institutions and other small enterprises and individuals in providing loans and promoting their entrepreneurial ventures. Mudra loan covers three schemes such as Shishu, Kishor and Tarun. This study throws light on the features of Mudra Loan, its major advantages and limitations, whether it has helped in self employment and also the number of people who has availed it in the past years. Mudra indeed has promoted entrepreneurship especially among the youth who are the future brains of the nation and who can lead our country to a developed phase.

Keywords- Mudra, Loan, MSMEs, Young, Entrepreneurship, Self employment

Introduction

Micro finance has a significant role in bridging the gap between formal financial institutions and rural poor. It contributes to the economy's growth by uplifting the less privileged sections of the society and acts as an anti poverty vaccine. The Micro units development and refinance agency limited (MUDRA) launched by our honourable Prime Minister Shri Narendra Modi on 8th April, 2015 outside a formal banking system offers financial aid to entrepreneurs and small businesses to expand their core activities. It follows three categories:

1. Shishu(Loans up to Rs. 50,000/-)
2. Kishor (Loans up to Rs. 50,000 to 5 lakh)
3. Tarun (Loans up to Rs. 5,00,001 to 10 lakh)

The focus has been more on Shishu scheme. The Mudra stands different because of its low interest rates and that the loan does not require any collateral. It is indeed a great scheme as it provides refinance support to banks and other NBFCs to facilitate higher funds for lending purposes and Empowers MSME entities through financial literacy. In India the rural population stands majority where they don't have any access to financial services because of their weak credit worthiness. The main objective of Mudra is to offer a helping hand to people in remote areas and promote more young entrepreneurial ventures. The eligibility criteria includes for new and existing units and the repayment period is 3-5 years. The scheme also promotes women enterprise programmes. Notably to say it suffers from very few limitations like sometimes the lengthy processing time of the loan and that the amounts are not disbursed in full in the initial stages. Mudra has indeed promoted young entrepreneurs, more women enterprises, helped the weaker sections of society to have a better standard of living, promoted self employment and will in future take our nation a step ahead in Entrepreneurship development which will in turn trigger a nation's growth.

Review of Literature

Dr. Deepak Gupta & Mrs.Jyothi Sharma(2017) The study emphasizes the fact that Small and micro business units have contributed immensely to the progress of the economy by employment also adding to the GDP of the nation. But the major limitation was the availability of funds for establishing new businesses and their growth. Mudra loan has been a great initiative by the government of India in the year 2015 for uplifting the SME'S in the country and to fund the unfunded. The Mudra scheme provides loan amounts up to 10 lakh.

Parimala Ramesh (2016) The study focuses on the fact that Micro finance extends financial services to small borrowers which later on was taken a step further by the government under the name Mudra Loan. The business domain of Mudra consists of income generating micro enterprises engaged in manufacturing, trading and services sector for loans up to 10 lakh. From the year 2016-17 other allied sectors such as agriculture have been brought under the scheme. The Shishu scheme and SC/ST/OBC have tremendously benefitted from Mudra Bank finds.

Dr.Ramesh J Sardar (2018) According to the researcher the Mudra loans have in indeed made a positive impact on the bottom line of MSMEs but the loans disbursed remains insufficient to meet business needs. After the implementation of the Pradhan Mantri Mudra Yojana the standard of living of people across the country has improved where they are able to give their children quality education and has generated many employment opportunities. The SC youth have been really motivated to start their own business and become young entrepreneurs. The Mudra Loan is providing its best to improve the status of SC and other backward sections of the society to enable to start their own ventures to have an access to financial services provided to them in the form of loans. This major change will be reflected in the economy's growth in the coming years. The Mudra loan has empowered the lowest economic segments of our society to start their own livelihood and give an opportunity to others to make their own living. Some of the major highlights in the Mudra Loan which has attracted many to it is the ease of access, low interest rates, collateral free and an element of security. All of these factors take Mudra Loan a step ahead of the micro finances.

Dr. Asha R Nair(2018) The Mudra loan was started with a mission to provide financial services maintaining global best practices and standards. The purpose was to fund the unfunded. It has targeted the educated, young skilled workers. The small entrepreneurs are often exploited in the hands of money lenders and so Mudra Loan will instil a confidence in them where they will feel that they are rendered a support from the nation in their efforts which will finally be linked in the task of nation building. The researcher has conducted the study with special reference to the SBI, Panthalam branch. The study reveals the attitude of people towards the Mudra Loan and how far it has remained successful in uplifting the weaker sections of the society. As it carried many interesting factors like the absence of collateral security, low interest rates and an easy availability the level of satisfaction remained high among the customers. Shishu, kishore and Tarun have been availed by in great numbers. When compared to other loans people claimed the processing at a speedy rate and the disbursement of the loan in lump sum. Mudra scheme remains a success in indeed among the beneficiaries in Panthalam branch.

MahammadShahid & Mahammad Irshad(2016)According to the researchers there are many constraints faced by the MSME s and so the launching of a scheme like Mudra will greatly benefit the small manufacturing industries and give self employment opportunities to people in urban and rural areas. When the PMMY schemes improve the standard of living of people this will be positively reflected in the economic progress of the nation. This provides a very low cost finance which fills in the Microfinance space. A confidence is enhanced in the young minds and skilled workers where they get an opportunity to become entrepreneurs and expand their activities. Mudra remains funding the unfunded.

Anup Kumar Roy R(2016) The researcher proposes that in a developing nation like India small businesses also contribute immensely to a nation's GDP. But there are various constraints faced by small businesses like their weak credit worthiness, scarcity of financial assistance and inadequate availability of credit facilities. Mudra Yojana was launched to remove the difficulties faced by the micro and small businesses to fund the unfunded. This focuses mainly on entrepreneurship whereby creating young entrepreneurs and improving their standard of living as a means of self employment. Mudra will definitely make our country a fully developed nation.

Reshma Raj, Shilpa HS & KG Rajani (2019) the researchers state that Micro and small enterprises play a crucial role in the economic and social development of a nation. But most of the MSME s are financially excluded due to the complex lending terms .The Mudra Yojana was launched on 8TH April 2015 to provide financial assistance to the small enterprises. The study has focused on the benefits of Mudra loan where it has been availed by many. The problems cited by many included the long processing time and the amounts were not given in full. The main

benefit was that it did not require any collateral or any security. But still some of the banks demanded providing a collateral security as they did not have a trust in the small enterprises to provide loan without any collateral security. Mudra scheme has improved the concept of self employment and uplifted many small enterprises. But the government should see to it that people use the loan precisely for the reason they had called applied for. So a set of guidelines should be enlisted as part of security reasons. Since many banks fear to give loan to small enterprises because of credit risk a risk assessment should be framed before the amount is disbursed for the ultimate success of the scheme. The study mainly focused on the entrepreneurs in Kerala.

Manish Agarwal & Ritesh Dwivedi (2017) One of the most important things to fight poverty and provide opportunities is financial inclusion. Financial inclusion means availing proper financial services to all the sections of society particularly the low income groups. Pradhan Mantri Mudra Yojana is one of the financial inclusion initiatives by the Government of India for small businesses, weaker income groups and micro enterprises. This was introduced by our Honourable Prime minister of India Shri Narendra Modi on 8th April, 2015. The study concludes that this scheme has been a great initiative taken by our government as it increases opportunities for credit requirement and refinance. PMMY a national plan will definitely take our country forward in the future. Financial services have also been rendered to women under this scheme. If it is implemented properly it can definitely bring a major change in boosting the Indian economy.

Dr. M Prakash & B Devaki (2018) Micro units development and refinance agency (MUDRA) is a Public sector Financial institution in India. It provides loans at very low interest rates to non banking institutions, micro finance institutions and small and medium enterprises. This study throws light on Mudra scheme with special reference to Tamil Nadu State. The state stands higher in the number of loans sanctioned. This scheme focuses exclusively on the entrepreneurs. This scheme will definitely improve the well being of individuals engaged in the small scale industries which has a direct impact on the progress of the economy. This will no doubt lead India to a developed phase.

Dr. Vishal Rajendra Sandanshive (2019) financial inclusion means providing financial services to the weaker sections of the society. The Mudra Yojana ensures that every individual has a bank account and availing credit facilities. After its implementation there was an urgent need to explore various innovative financial products and services by various agencies. The PMMY was launched in the year 2015. The study reveals that the Public and Private sector banks have performed really well in the sanctioning of these loans to various small enterprises. The researcher has also analysed that the states of Gujarat, Rajasthan and Odisha have presented a major growth. When looking into the less privileged sections of the society there showed a fair growth. Women borrowers were also quite large in number. The researcher concludes that Mudra scheme has definitely helped the micro entrepreneurs who were otherwise excluded from the banking system where the problem of funding the unfunded has been resolved.

Significance of the Study

The study definitely reveals the features and factors that has attracted many to Mudra Yojana along with its advantages and limitations. The study also highlights the support it offers to banks, MFI s, NBFC s, small enterprises and individuals. The study throws light on the number of people who has availed the loan from the year 2015 till 2020. This shows whether the Mudra Yojana has remained a success among its beneficiaries.

Objectives of the Study

- The study highlights the salient features of Mudra Yojana.
- The study attempts to analyse the different schemes and its benefits.
- The study focuses on the changing phase of the micro finance industry.
- How Mudra has offered a helping hand to the entrepreneurs.

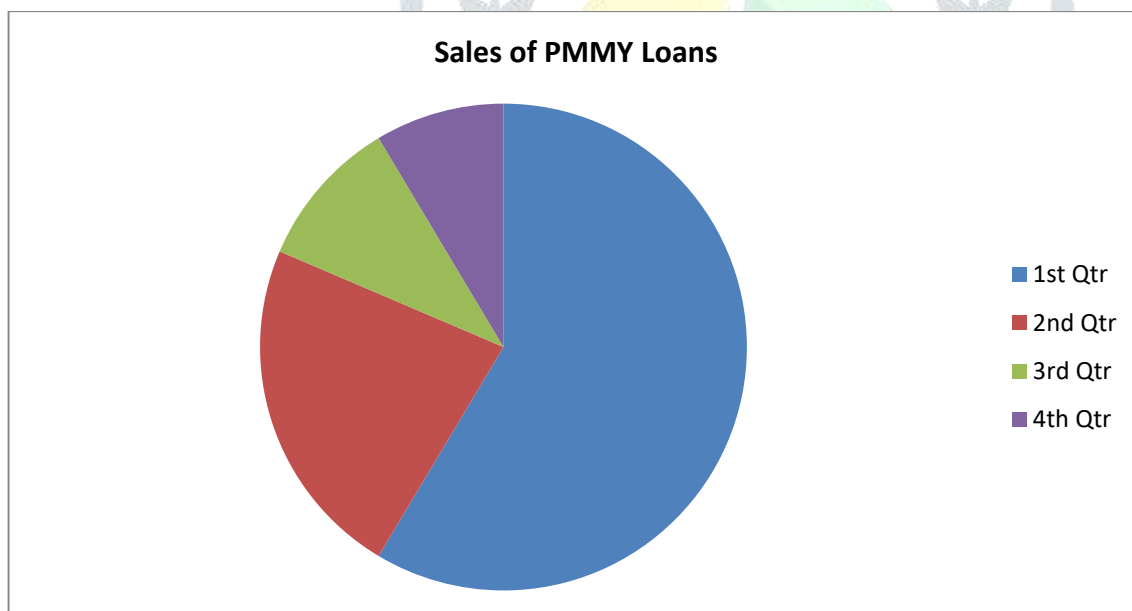
Methodology

The study has used a pie chart to enumerate figures highlighting the number of PMMY loans sanctioned, the amount sanctioned and the amount disbursed from the year 2015 to 2020.

Data Analysis and Interpretation

PMMY Loans and amount availed from 2015-2020

FINANCIAL YEAR	NO: OF PMMY LOANS SANCTIONED	AMOUNT SANCTIONED	AMOUNT DISBURSED
2015-2016	34880924	137449.27Cr	132954.73Cr
2016-2017	39701047	180528.54Cr	175312.13Cr
2017-2018	48130593	253677.10Cr	246437.40Cr
2018-2019	59870318	321722.79Cr	311811.38Cr
2019-2020	62237981	337465.13Cr	329684.63Cr
2020-2021	4686176	37954.93Cr	32693.63Cr



The above findings reveal that the 1st quarter in the number of PMMY loans sanctioned, the amount sanctioned and the amount disbursed stands really high. But the second quarter shows a drastic fall in the number of loans sanctioned, the amount sanctioned and the amount disbursed. The third quarter again shows a slight decrease when compared to the second quarter in the number of PMMY loans sanctioned, the amount sanctioned and the amount disbursed. The fourth quarter shows a swift decrease again in the number of PMMY loans sanctioned, the amount sanctioned and the amount disbursed. So there is a continue decrease in the number of loans availed by people as years go by.

Findings and Suggestions

The study reveals that the number in PMMY loans sanctioned, the amount sanctioned and the amount disbursed has tremendously gone down from 2015 till the present date. Notably a few limitations to cite include the time taken for the processing of the loan, a bulk of them is given to women, the amount which is disbursed stands relatively lower than the amount sanctioned and definitely the Mudra loan defaults. This happens because of the lack of a proper monitoring system by the banks and most of the loans are sanctioned against the banking principles. Also because the loan does not require any collateral the banks are forced to give loans to any applicant who doesn't have a proper business plan. For these reasons the banks hesitate to provide more loans under this category due to defaulters. The banks are not in a position to clear these defaults since these loans remain unsecured loans. But despite these limitations the Mudra Loan has definitely transformed the lives of the poor and has offered a helping hand to the young entrepreneurs and small businesses to transform their desires into a reality. The beneficiaries of Pradhan Mantri Yojana stands high in number and if the limitations mentioned above is cleared the Mudra scheme can adopt a credit plus approach in future and can target a broad spectrum of beneficiary segments.

Conclusion

The Micro units Development and Refinance Agency Ltd. Undoubtedly stand as the best micro enterprise sector in the country. It has given a refinance support to the banks, NBFC s and MFC s for lending loans to small units. Since micro enterprises form a major economic segment in our country equipping them with the needed financial resources not only provides employment opportunities to many but it also contributes to the economic welfare of the nation as a whole. Despite its few limitations Mudra offers support to all income generating activities in the economy. The banks should develop a proper monitoring system since loans are provided without any collateral. Also the amounts sanctioned should be disbursed with minor deductions like the processing charges taken by the bank. See to it that the loans don't get confined to the women segment of the population. Taking into consideration all these factors Pradhan Mantri Yojana has a long way to go being the best in Make in India Initiative and promoting entrepreneurship among the youth of nation.

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