

Financial Inclusion: Performance of Pradhan Mantri Mudra Yojana Scheme in India

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ABSTRACT

India has emerged as one of the fastest growing economies in the world projected to clock one of the highest growth rates in the world during financial year 2016–17. There is a huge opportunity for micro and small enterprise in India. And also there is a great potential to start micro units. But there is a lack of finance for startups, NSSO survey (2013) reports that 4% of 57.7 million MSMEs are unable to get financial support from regular banks. More over for start-ups there is great difficulty in getting financial support from financial institutions. MSMEs need adequate and easy access of financial services. Micro Units Development and Refinance Agency Bank (MUDRA Bank) has been created with the adage of “Funding the Informal by Funding the Unfunded”, by making Micro, Small business units to be string instruments for GDP growth and also employment generation. It lends loan to non- form income generating enterprises in manufacture, trading and services whose credit needs are below 10 lakhs. So far 1500 crors is refinanced to Micro and Small Enterprises (MSMEs) under MUDRA scheme through private and public banks. The objective of the study is to analyse the performance of the PMMY scheme in India. The aim of this paper is to focus on progress of PMMY scheme, and performance of the scheme, caste and category, GAGR analysis of the scheme.

1. Introduction

In a Developing country having large population like India, small businesses play an important role not only in contributing to nation GDP but also by providing employment to a large no of people. In India over 6000 products are manufactured by around 5.77 crore units and employ 460 million people in the country, of which 262 million people are self-employed. Micro Small and Medium Enterprises (MSME) contributes around 8 per cent to GDP. The small businesses in the country are largely unorganized but employ a sizeable labour force (ASSOCHAM INDIA, SMERA Ratings Limited, 2015). 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 scarcity of financial assistance and inadequate availability of credit facilities due to the weak credit worthiness of small businesses are the major causes of this problem. To remove the financial difficulties faced by micro and small business units the government of India launched a scheme on 8th April 2015 called Micro Unit Development and Refinance Agency, or MUDRA to ‘fund the unfunded’. The paper highlights the performance and the impact of MUDRA scheme towards the small business units.

2. Mudra Loan Schemes

Mudra is still not a fully-fledged bank and is in its initial stages. As the purpose of this scheme is to support the micro and small enterprises the scheme for the products are also categorized accordingly. These are described here.

Shishu Loan Scheme: This is for starter or small entrepreneur, under this scheme the lending amount will be Rs.

50,000. That means if anyone wants to start a small business then he/she will get a loan cover up to Rs. 50,000/-.

Kishor Loan Scheme: This scheme is meant for the mid-level business organizations. If you have set your business then you may receive a term loan from Rs. 50,000/- to Rs. 5 lakh from MUDRA for further expansion and growth.

Tarun Loan Scheme: This is the next level scheme and it for those business / manufacturing organisations who wish to have a large and better (automation) business setup. The loan provided in this scheme will cover a sum of rupees from Rs. 5 lakh to Rs. 10 lakh.

3. Review of Literature

Rudrawar, M & Uttarwar. V.(2016) has concluded that the desired transformation can be achieved from PMMY scheme. If applied properly at the bottom level, it may act as a game-changing idea and may increase, boost and prosper the Indian economy. It should include less documentation and easily accessible. In coming few years, MUDRA will be a catalyst for the development of employment, GDP and entrepreneurship at large. This paper evaluated the product offering by MUDRA Bank and its performance in the state of Karnataka. Studied the biggest obstacle for the development of micro and small enterprises was lack of financial assistance. Also reveals the role of MUDRA Bank towards small enterprises.

RBI (2015), the RBI gave licenses to 10 private entities to start small finance banks to cater to the financial needs of underserved segments such as small business units, small and marginal farmers, micro entrepreneurs, and unorganized sector entities. Small finance banks are expected to have high-

technology, low-cost operations. Eight of the entities that received licenses are NBFC-MFIs. The minimum paid-up capital of these banks is RS1 billion. Small banks must direct 75% of their adjusted net bank credit 10 to sectors eligible for classification as “priority sector lending” by the RBI, while at least 50% of the loan portfolio is required to comprise loans and advances of value of up to RS 2.5 million. As a result of these requirements, small finance banks are expected to cater to the missing middle for which these loan sizes would be appropriate. The sources of funds for these banks include deposits and refinance from MUDRA Bank.

4. Statement of the Problem

Micro, Small and Medium Enterprises are facing many financial problems. They are struggling to expand their business due to financial deficit. To encourage them financially and also to mobilize their savings, a scheme called MUDRA was introduced by our Indian government mainly for the purpose of lending loans to micro and small enterprises. MUDRA at present acts as a subsidiary of SIDBI. By this study an attempt was made to analyse the performance of MUDRA.

The effectiveness of the government policies depends on the efficiency of its implementation mechanism (*Van Meter & Van Horn, 1975*). One of the components in the implementation of PMMY is the financial intermediaries and hence effectiveness from the supply side can be studied by evaluating the efficiency of the financial intermediaries like the Banks. It is imperative to study the efficiency of banks in providing loans under PMMY in particular because of the nature of its beneficiaries. The demand for loans under the programme comes from individuals who are keen to start a small business and do not have adequate documents to prove their credibility.

The beneficiaries of PMMY loan are informationally opaque and the banks have to rely on unverifiable, soft information to evaluate their creditworthiness as most of them don't have an external credit rating. The amount and number of

loans sanctioned under the programme signify the bank's ability to cater to the requirement of customers who do not have documents to prove their repayment capacity. Instead, it is only the number of loans sanctioned that is considered for evaluating their performance in implementing the programme. Therefore it is pertinent to study the bank's relative performance after considering the resources at their disposal as it provides a fair evaluation of the performance of the banks in the implementation of the government scheme.

5. Objectives of the Study

- To analysis the Performance of PradhanMantri Mudra Yojana scheme in India

6. Research Methodology

a. Source of Data

The study is based on the secondary data. The required information is collected from the official website of MUDRA. Data from other official websites, journals, articles, newspapers, magazines etc are also collected.

b. Period of study

The period study is covering from the year 2015-2016 to 2016-2017.

7. Significance of the Study

The study would contribute to the analysis of different aspect of the performance of PradhanMantri Mudra Yojana scheme in India. India is a land of talented and budding youngsters, held back just because they have neither the opportunity nor the finances to show the world what they have in store. With this scheme in full swing next year, a lot of skilled and creative brains will be empowered to take India to a whole new level on the international frontier. The study helps the decision makers to identify the progress and challenges of the scheme.

8. Analysis and Interpretation

Table – 1 Overall Category wise Performance of SHISHU scheme in India (Loans up to Rs. 50,000) Period from 2015-2016 to 2016-2017.

(Rs. In Crore)

Category / Year	No. of A/Cs			Sanctioned Amt			Disbursement Amt			Outstanding Amt		
	2015-16	2016-17	Growth rate (%)	2015-16	2016-17	Growth rate (%)	2015-16	2016-17	Growth rate (%)	2015-16	2016-17	Growth rate (%)
General	14680840	14835512	1.1	29071.86	35163.69	21.0	28523.44	34615.71	21.4	21878.39	26289.17	20.2
SC	5952482	6985508	17.4	10811.29	15976.2	47.8	10715.83	15774.74	47.2	7726.29	10972.48	42.0
ST	1606484	1726857	7.5	3022.4	3831.23	26.8	2982.88	3763.66	26.2	2252.12	2551.94	13.3
OBC	10161240	12949936	27.4	19989.41	30129.63	50.7	19805.54	29737.77	50.1	14954.58	20593.76	37.7
Total	32401046	36497813	13	62894.96	85100.74	35	62027.69	83891.88	35	46811.38	60407.35	29
Mean	8100262	9124453		15723.74	21275.19		15506.92	20972.97		11702.85	15101.84	
SD	5607547	5959587		11281.61	14185.23		11071.19	13977.70		8548.78	10486.01	

Source: pmmi.org.in

Table – 1 shows the overall category of the ‘Shishu’ class for two years whereby various types of beneficiaries under the scheme for the period 2015-2016 to 2016-2017. As far as the number of accounts under the scheme is concerned, OBC category exhibited the highest surge of 27 percent followed by

SC of 17 percent, ST for 7 percent and General for 1 percent with an aggregate growth of 13 percent for all categories taken together the growth in accounts of OBC and SC categories more than average number of accounts opened under the

scheme, with the ST and General categories were listed below the average.

The sanctioned amount during year 2016-2017 showed an increase of 35 percent over the previous year. When it came to the category-wise sanctioned amount, the OBC category registered a growth of 51 percent (highest among all categories) followed by SC for 48 percent, St for 27 percent and general for 21 percent. A significant increase in amount sanctioned under the scheme is noticed through the analysis. The scheme showed almost the same results in case of sanctioned and

disbursed amount with an overall increase of 35 percent over the previous year.

The outstanding amount under the scheme registered an aggregate growth of 29 percent during 2016-2017 over the previous year; and SC category showed the highest growth of 42 percent followed by OBC category for 38 percent, general for 20 percent; and 13 percent by ST. It is evident from the analysis that the surge in outstanding amount raise a concern about the success of the ventures under the scheme and the poor repayment capacity due to the low income generation.

Table – 2 Overall Category wise Performance of KISHORE scheme in India (Loans from Rs. 50,000 to Rs. 5 Lakh) Period from 2015-2016 to 2016-2017.

(Rs. In Crore)

Category / Year	No. of A/Cs			Sanctioned Amt			Disbursement Amt			Outstanding Amt		
	2015-16	2016-17	Growth rate (%)	2015-16	2016-17	Growth rate (%)	2015-16	2016-17	Growth rate (%)	2015-16	2016-17	Growth rate (%)
General	1458346	1896749	30	31770.54	40820.62	28	30286.31	39135.12	29	26858.54	33416.74	24
SC	143357	139982	-2	2805.05	2170.84	-23	2680.14	2040.03	-24	2440.56	1430.51	-25
ST	62869	59987	-5	1249.3	1030.01	-18	1179.43	954.25	-19	1049.65	847.1	-19
OBC	404889	566784	40	7227.66	9523.67	32	6927.4	8933.73	29	6263.69	7830.89	25
Total	2069461	2663502	29	43052.55	53545.14	24	41073.28	51063.12	24	36612.44	43925.22	20
Mean	517365	665876		10763.14	13386.29		10268.3	12765.78		9153.11	10981.31	
SD	644087	850203		14232.06	18672.85		13565.5	17931.17		12007.71	15272.12	

Source: pmmmy.org.in

Table – 2 reveals that the overall performance of the 'Kishore' class for two whereby various types of beneficiaries under the scheme during the year 2015-2016 to 2016-2017. As far as the number of accounts under the scheme are concerned. The total number of beneficiary under the all category in the year 2015-2016 to 2016-2017 is 2069461 and 2663502 respectively. The average number of beneficiaries is 517365 and 665876 respectively, with variation of 644087 and 8500203 correspondingly. In the evaluation of previous year data the OBC category exhibited in highest surge of 40 percent followed by General category for 30 percent while SC & ST categories showed a negative growth rate, with an aggregate growth of 29 percent for all categories taken together the growth in accounts of OBC and General categories were more than an average, number of accounts opened under the scheme, while the ST and SC categories were listed negatively.

The sanctioned amount during 2016-2017 showed an increase of 24 percent over the previous year. When it came to

category wise sanctioned amount, the OBC and General categories registered same growth of 29 percent (highest among all categories) followed by SC & ST showed negative growth rate. A significant increase in amount sanctioned to General and OBC categories under the scheme is noticed through the analysis.

The amount disbursed the scheme showed almost the same results as in case of sanctioned amount with an overall increase of 24 percent over the previous year. The outstanding amount under scheme registered an aggregate growth of 20 percent during 2016-2017 over the previous year, and OBC category showed the highest growth of 25 percent followed by

General Category for 24 percent, while SC & ST showed a negative growth rate in outstanding amount. It is clear from the analysis that the participation of SC and ST category is very low under the scheme, the reasons should be pointed out and the problem should be addressed for inclusive growth of the poor scheme of the society.

Table – 3 Overall Category wise Performance of TARUN scheme in India (Loans from Rs. 5 to Rs. 10 Lakh) Period from 2015-2016 to 2016-2017.

(Rs. In Crore)

Category / Year	No. of A/Cs			Sanctioned Amt			Disbursement Amt			Outstanding Amt		
	2015-16	2016-17	Growth rate (%)	2015-16	2016-17	Growth rate (%)	2015-16	2016-17	Growth rate (%)	2015-16	2016-17	Growth rate (%)
General	340239	468592	38	26369.35	36600.85	39	24948.65	35281.49	41	21524.67	29508.15	37
SC	18898	10134	-46	1358.73	750.79	-45	1295.82	709.32	-45	1157.28	604.4	-48
ST	8993	5658	-37	606.53	411.5	-32	579.72	387.64	-33	517.59	320.03	-38
OBC	42287	55348	31	3167.15	4119.52	30	3029.57	3978.69	31	2669.51	3444.15	29
Total	410417	539732	32	31501.76	41882.66	33	29853.76	40357.13	35	25869.05	33876.74	31
Mean	102604	134933		7875.44	10470.67		7463.44	10089.29		6467.26	8469.18	
SD	159037	223569		12376.02	17500.35		11702.09	16872.98		10078.74	14096.72	

Source: pmmmy.org.in

Table – 3 portrays overall performance of the 'Tarun' class for two years whereby various types of beneficiaries under the scheme during the year 2015-2016 to 2016-2017. As far as the number of accounts under the scheme are concerned, General category exhibited in highest surge of 38 percent followed by OBC category of 31 percent while SC & ST categories showed a negative growth rate, with an aggregate growth of 32 percent for all categories taken together the growth in accounts of General category is more than an average, number of accounts opened under the scheme, while the ST and SC categories were listed negatively.

The sanctioned amount during 2016-2017 showed an increase of 33 percent over the previous year. When it came to category wise sanctioned amount, the OBC and General categories registered 30 and 39 percent respectively followed by SC & ST showed negative growth rate. A significant increase in amount sanctioned to General and OBC categories under the scheme is noticed through the analysis. The amount disbursed under the scheme showed almost the same results as in case of sectioned amount with an overall increase of 35 percent over the previous year.

The outstanding amount under the scheme registered an aggregate growth of 31 percent during 2016-2017 over the previous year; and General category the highest growth of 37 percent followed by OBC category of 29 percent, while SC percent, while SC & ST showed a negative growth rate in outstanding amount. The analysis suggests that the participation of SC & ST showed a negative growth rate in

outstanding amount. The analysis suggests that the participation of SC and ST category needs to be strengthened and a continuous control mechanism should be introduced by the concerned authorized to remained the performance of the units under the scheme for removal of problems faced by them so as to make them effective and increase their repayment capacity thereto

9. Suggestions

- Through report shows more loans are being provided under SHISHU category, it is highly challenging to keep a balanced distribution of funds among all the categories.
- There should be more concentration on Kishore and Tarun scheme for the SC & ST people.

10. Conclusion

The study concluded that PradhanMantriMudra Yojana is a great initiative taken by the Government of India. 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. 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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