

Impact of Pradhan Mantri MUDRA Yojana in India

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ABSTRACT

There are many financial inclusions introduced by *Government of India* (GOI), but one of the most popular one is Pradhan Mantri MUDRA Yojana. PMMY has been started by *government of India* (GOI) for encouraging and uplifting new entrepreneurship in India. It is a non-banking financial institution by GOI. It provides loans upto Rs.10 lakh to the non-corporate, non-farm *small/micro enterprises*. These loans are classified as MUDRA loans under PMMY. MUDRA loans play a major role in success of new enterprises.

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1. Introduction

Finance is the most important thing to start up a new enterprise. It is the life blood of business. Shri. Y V Reddy governor of RBI first introduced the term Financial Inclusion. Financial Inclusion is one of the finest financial strategies. Financial Inclusion means to provide financial services to all the various groups of people in the society such as lower-middle class at an affordable rate.

Pradhan Mantri MUDRA Yojana (PMMY) is a scheme launched by the Hon'ble Prime Minister **Shri. Narendra Modion** April 8, 2015 for providing loans upto 10 lakh to the non-corporate, non-farm small/micro enterprises. MUDRA has created three products namely 'Shishu', 'Kishore' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth. These loans are given by Commercial Banks, RRBs, Small Finance Banks, Cooperative Banks, MFIs and NBFCs.

Types of schemes offered by MUDRA

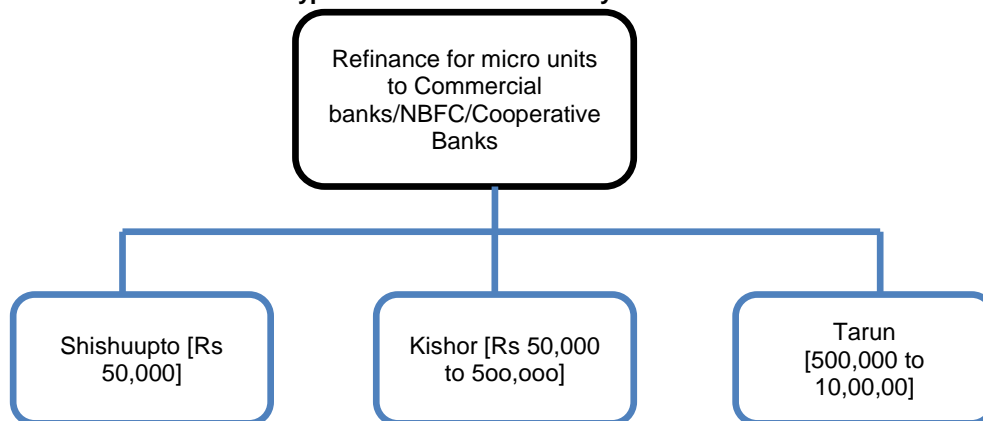


Chart-1

2. Literature Review

Rudrawar, M. A. A. & Uttarwar, V. R. (2016) has said that mudra can be a game changer in the economy of India. It will bring desired changes in the economy. The loan proceedings should be easy with less documentation which will turn out to be fruitful. In the near future mudra will play a vital role for development of entrepreneurship, increasing employment as well as increasing GDP.

Meher L (2014) has displayed that as a part of financial inclusion new innovations like E-banking, Mobile banking, ultra-small branches , etc..has increased drastically in last few years in India.

Dr. J .Venkatesh and MS. R .LavanyaKumari (2017) has explained that there have been many schemes introduced for overall growth and development of various sectors. Majorly schemes have been introduced for Medium and Small enterprises. This will increase in the employment level and also contributed in the growth of the economy of India.

R Rupa (2007) has found out that micro finance institutions have played a major role in increasing the number accounts under MUDRA loans. She also showed that the scheme was successful in the state of Tamil Nadu.

Verma S. (2015) has showed that MUDRA loans has been the most beneficial to new entrepreneurs as well as the youth of the country. It is designed to remove the problems of medium and small enterprises.

Roy, Anup Kumar (2016) has found out that major contribution in the development of economy has been given by medium and small enterprises. Thus, it is very essential to give Boost to medium and small enterprise sector. In past few years septs have been taken to encourage these sectors in India.

M Agarwal &Ritesh D (2017) has found out that PMMY has been very useful to take the economy of India towards development. The scheme has turned out to be very beneficial for new entrepreneurship, and financing women. It will out to be a game changer in Indian economy with the help of government of India(GOI) .

3. About Pradhan mantri mudra yojana

As India is a developing country we have huge problems related to financing in various sectors. Medium and small enterprises play a vital role in economic development of India. Thus, it is very essential to make a step towards promoting these sectors. Government of India took an initiative to finance such medium and small businesses so as to encourage them to grow and also start up new enterprises. In the budget for year 2015-16 according to the finance minister, there are approximately 5.7 crore small and micro enterprises including sole proprietors in India. Thus, it is very important to financial arrangement for this business. Government of India has started Pradhan Mantri MUDRA Yojana(PMMY) in year 2015. This is started to specially finance Medium and small/Micro businesses in India. They encourage new entrepreneurship, Financing Women Entrepreneurship, Refinancing, etc. Under the Pradhan Mantri Mudra Yojana (PMMY), MUDRA has created various schemes. They have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide an opportunity for the next step after graduation.

Various Schemes offered by MUDRA

- Majorly 3 schemes are offered, which are as follows:-
- Shishu : covering loans upto 50,000/-

- Kishor : covering loans above 50,000/- and upto 5 lakh
- Tarun : covering loans above 5 lakh and upto 10 lakh

The mission and Vision of MUDRA Scheme are as follows:-

MUDRA Mission

To create an inclusive, sustainable and value based entrepreneurial culture, in collaboration with our partner institutions in achieving economic success and financial security.

MUDRA Vision

To be an integrated financial and support services provider par excellence benchmarked with global best practices and standards for the bottom of the pyramid universe for their comprehensive economic and social development.

Beneficiary of PMMY

Any citizen of India who has a wage production plan from Small scale business engaged in exchange, assembling and preparing of goods and services, whose advance prerequisite is under Rs.10 lakh can approach advances under PMMY. Benefits of the plans are miniaturized scale fabricating units, natural products and vegetable distribution, support and repairing, handiwork and working nourishment administrations, etc..Reserve and of India regulates the loan rates time to time.

4. Data analysis

Growth of PMMY

Government has disbursed Rs.175312.13 in year 2016-17 and Rs.246437.40 in year 2017-18. Amount sanctioned my PMMY in year 2016-17 was Rs.180528.54 and in year 2017-18 was Rs.253677.10. PMMY advancement can be seen on the PMMY gateway. It is updated every week. The number of loans sanctioned by PMMY in year 2016-17 was 39701047 and in year 2017-18 were 48130593. We can see that there has been growth in PMMY and the amount of loan sanctioned and disbursed have also increased. The no. of loan sanctioned under PYMM have also increased significantly. The growth of PMMY can be demonstrated in Table-1.

Table-1 Growth of PMMY(Amount in Crores)

	Financial year 2017-18	Financial year 2016-17
No. of PMMY loan Sanctioned	48130593	39701047
Amount sanctioned	253677.10	180528.54
Amount Disbursed	246437.40	175312.13

Source: (<https://www.mudra.org.in/>)

TABLE-2 SHOWING STATE WISE PERFOEMANCE OF MUDRA LOAN

(Amount In Crores)

SR NO.	STATES	FINANCIAL YEAR 2017-18		FINANCIAL YEAR 2016-17		DIFFERNECE IN DISBURSEMENT	DIFFERNECE IN NO. OF ACCOUNTS
		NO. OF ACCOUNT	DISBURSEMENT AMOUNT	NO. OF ACCOUNT	DISBURSEMENT AMOUNT		
1	Andaman and	3829	102.66	3353	78.34	476	24.32

	Nicobar Islands						
2	Andhra Pradesh	801845	10902.91	587569	5731.8	214276	5171.11
3	Arunachal Pradesh	11004	109.5	6109	78.67	4895	30.83
4	Assam	1713004	6669.74	1255754	4824.54	457250	1845.2
5	Bihar	4314861	15919.4	3756716	11585.63	558145	4333.77
6	Chandigarh	18257	419.98	19039	221.26	-782	198.72
7	Chhattisgarh	962079	4747.29	884941	3209.86	77138	1537.43
8	Dadra and Nagar Haveli	3408	36.79	2587	22.61	821	14.18
9	Daman and Diu	1086	23.55	774	12.08	312	11.47
10	Delhi	241797	4450.15	224975	3700.51	16822	749.64
11	Goa	39397	499.27	31289	372.78	8108	126.49
12	Gujarat	1501226	11386.52	1103453	7692.07	397773	3694.45
13	Haryana	786328	5940.4	716622	3697.59	69706	2242.81
14	Himachal Pradesh	91992	1900.55	82851	1214.02	9141	686.53
15	Jammu and Kashmir	103125	2586.8	89712	1663.51	13413	923.29
16	Jharkhand	1212671	5410.4	1023593	3908.99	189078	1501.41
17	Karnataka	4568493	23009.73	3933578	17290.7	634915	5719.03
18	Kerala	2289805	9459.97	982260	6140.44	1307545	3319.53
19	Lakshadweep	1044	12.95	473	4.51	571	8.44
20	Madhya Pradesh	2899123	14886.15	2683052	10191.91	216071	4694.24
21	Maharashtra	3596620	22751.4	3344154	16976.76	252466	5774.64
22	Manipur	33186	219.59	21865	142.47	11321	77.12
23	Meghalaya	28846	216.25	23915	185.74	4931	30.51
24	Mizoram	12400	157.62	6973	90.31	5427	67.31
25	Nagaland	14141	135.98	11051	103.83	3090	32.15
26	Odisha	3470312	11558.91	2606769	7600.68	863543	3958.23
27	Pondicherry	150477	895.16	130360	485.49	20117	409.67
28	Punjab	819836	6723.82	705569	4512.28	114267	2211.54
29	Rajasthan	1746748	13862.55	1204837	8823.3	541911	5039.25
30	Sikkim	21588	116.3	19865	96.54	1723	19.76
31	Tamil Nadu	5860165	25331.68	5309857	17756.39	550308	7575.29
32	Telangana	789315	6745.26	482694	3780.49	306621	2964.77
33	Tripura	399299	1484.96	253607	968.55	145692	516.41
34	Uttar Pradesh	4401217	22077.89	337547	14753.59	4063670	7324.3
35	Uttarakhand	254783	2573.22	286579	1913.88	-31796	659.34
36	West Bengal	4967286	20552.19	4566505	15480.03	400781	5072.16
	Total	48130593	253677.1	39701047	175312.13	8429546	78364.97

Source: (<https://www.mudra.org.in/>)

From the above table-2, it is observed that increase in disbursement amount of PMMY loan has been the highest in Uttar Pradesh i.e. Rs.4063670 crores has been the increase seen from year 2016-17 to year 2017-18. Growth in disbursement amount has also been observed significantly in states like Kerala, Odisha, Bihar, Karnataka, Tamil Nadu, Rajasthan, Assam, West Bengal, Gujarat, etc. The least growth in disbursement amount has been seen states of Dadra and Nagar Haveli, Lakshadweep, Andaman and Nicobar

Islands & Daman and Diu. Negative Growth has also been observed in states of Chandigarh i.e. -Rs.782 crores and Uttarakhand i.e. - Rs.31796 Crores, which means the amount of loan disbursed has been decreased from year 2017-17 to year 2017-18.

The maximum increase in number of accounts opened under PMMY from year 2016-17 to year 2017-18 can be seen in state of Tamil Nadu i.e. 7575.29 crore accounts, which is the

highest amongst all the states. Increase in number of accounts opened under PMMY has also been seen states like Uttar Pradesh, Maharashtra, Karnataka, Andhra Pradesh, West Bengal, Rajasthan, Madhya Pradesh, Bihar, etc.. The state which has the least growth in number of accounts opened under PMMY from year 2016-17 to 2017-18 is Lakshadweep i.e. 8.44 crores accounts. There are few other states which less growth rate in number of accounts opened are Dadra and Nagar Haveli, Sikkim, Andaman and Nicobar Islands & Daman and Diu.

The overall increase in disbursement amount of PMMY loan from year 2016-17 to year 2017-18 has been Rs.8429546 crores and overall increase in number of accounts under PMMY from year 2016-17 to year 2017-18 has been 78364.97 crore accounts. The above figures show that it has been tremendous growth in the PMMY scheme and has extended its benefits to a lot of people by giving finance.

It could be observed that the least growth have been observed in states like Dadra and Nagar Haveli, Lakshadweep, Andaman and Nicobar Islands & Daman and Diu. This shows that PMMY scheme has been less successful in these states as well as low growth rate has been observed in the above states. The maximum growth has been observed in states like Kerala, Bihar, Karnataka, Tamil Nadu, Rajasthan, West Bengal, etc.. It shows that the PMMY scheme has been highly successful in these states as well as high growth rate has been observed in the above states.

5. SWOT Analysis Of PMMY

Strength:

- The scheme gives support to small businesses and also empowers people who are in need of finance.
- It has normal interest rates.
- It is easy to apply for loan.
- It also gives credit guarantee to those who have taken loan.
- There are agents who will guide on how to process and organise a business so that risk on getting negative results will decrease.

References

1. <https://www.mudra.org.in/>
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3. M Agrawal & R Dwivedi (2017), " Pradhan Mantri Mudra Yojana: A critical review."
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Weaknesses:

- People are unaware about the scheme.
- It can be promotion of shadow banking.
- There can be conflict of interest due to nature of roles and responsibilities of MUDRA Bank.
- There may be NAP as the scheme is been offered to small businesses and needy people.

Opportunities:

- There can be collaboration with different financial institutions.
- It will increase employment in our country.
- More emphasis can be given to women entrepreneurs and also extended benefits of the scheme.

Threats:

- There can be confusion related to interest rate as it is variable.
- There are many financial institutions which gives similar loans.
- Small businesses can get finance in many other easy ways.

6. Recommendation

- More awareness should be spread about the scheme.
- PMMY shall fund below Rs.50,000 as well so that the gap of below Rs.50,000 can be filled.
- Women entrepreneurs can be encouraged more and shall be given more benefits.

7. Conclusion

The study concludes that PMMY has been a very fruitful initiative by government of India. There has always been a need of finance amongst small businesses, new start-ups, needy people, etc., which has been fulfilled by PMMY. A lot of states have been benefited by this scheme and have performed very well under the scheme. PMMY has increased the opportunity of credit requirement and refinance. PMMY has performed exceptionally well in the country and have given finance to a lot of small businesses and needy people. The implementation of PMMY has been done properly; it might work as game changing financial inclusion by the government of India and may boost Indian economy.