

A Study on the Performance of Pradhan Mantri Mudra Yojana in India

Dr. Anant Kumar

PG.Dept of Commerce & Business Administration, T.M.Bhagalpur University Bhagalpur

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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. A vast part of the no 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. 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. For analyzing such facts secondary sources of data has been collected. It is not very much correct time to evaluate the PMMY scheme which is only in its infant stage. But an attempt has been made in this paper to analyze the product offerings and performance so far of the scheme.

1. Introduction

Pradhan Mantri Mudra Yojana (PMMY) was announced in the Union Budget for FY 2016 by Government of India for development and refinancing activities relating to micro units. The purpose of MUDRA is to provide funding to the no corporate small business sector that are currently engaged in a wide spectrum of economic activities like retail, manufacturing, trading etc. MUDRA PRODUCTS & OFFERINGS Businesses or Entrepreneurs would include proprietorship or partnership firms running as small manufacturing units, shopkeepers, fruits or vegetable sellers, hair cutting saloon, beauty parlours, transporters, truck operators, hawkers, co-operatives or body of individuals, food service units, repair shops, machine operators, small industries, artisans, food processors, self help groups, professionals and service providers etc. in rural and urban areas with financing requirements up to Rs.10 lakh. The primary product of MUDRA will refinance for lending to micro businesses or units under the aegis of the Pradhan Mantri MUDRA Yojana. It has been proposed to fund the units based on the stage of Micro Unit Development and Refinance Agency (MUDRA), launched by our Hon. Prime Minister, Shri Narendra Modi on 8th April 2015, with a corpus of Rs20,000 crore and a credit guarantee corpus of Rs3,000 crore. It is also known as Mudra loan scheme which is open and available from all bank branches across the country. The main objective of this scheme to encourage the entrepreneurs and small business units to expand their capabilities and operations, to reduce over indebtedness and to provide the formal system of finance/ credit India, being a developing country, requires its small entrepreneurs to grow and prosper because small business play an important role not only in contributing to nation GDP but also providing employment to large number of people. But due to various constraints small businesses are not playing their role effectively and the main reason behind that is, most of

the individuals of our country living in rural area, have been excluded from the benefit of formal banking system, therefore, they had never access to various facilities like credit, loan, insurance, and other financial instruments to help them establish and grow their small businesses. .

2. Review of literature

Gupta (2015) studied the concept, role, rational and responsibility of MUDRA Yojana. The study also focused on offerings and functioning of MUDRA Bank. The study concluded that MUDRA will be a catalyst towards mass entrepreneurship development, employment generation and higher GDP growth. Avani.T (2016) studied that how MUDRA Bank helps SMEs to grow. The study also focused on role, responsibility and performance of MUDRA Bank in the state of Kerala. This study concluded that just as banking the unbanked, MUDRA bank main aim is funding the unfunded. Kumar (2017) studied the impact of MUDRA Yojana on financial inclusion. The study also covered the products and objectives of MUDRA Bank. The study concluded that the small businesses are form the foundation of the economic development needs to be strengthened and supported.

3. Objectives of the study

1. To study the objective and role of PMMY in India.
2. To study the products and offerings of MUDRA BANK.
3. To understand the roles and responsibilities played by the MUDRA bank.
4. To analyze contribution of PMMY in promotion of financial Inclusion in India

4. Data collection

The study is based on the secondary data. The required information is collected from

from official website of MUDRA. Data from other official websites, journals, articles, newspapers, magazines etc. are also collected.

5. Methodology of the study

The study is based on secondary sources of data or information. Different books, newspapers and relevant websites like MUDRA Yojana, PMJDY and Govt. Publications have been consulted in order to make the study effective one. The study attempts to examine the concept, need and offering of MUDRA Yojana, as well the impact of this scheme on Indian economy.

6. Limitation of the study

1. Time constraints while collecting the data
2. All data cannot be generalized

Pradhan Mantri MUDRA Yojana. It has been proposed to fund the units based on the stage of growth and funding needs of an entrepreneur or a micro unit. The initial products and schemes have already been created and the interventions have been named „Shishu“, „Kishor“ and „Tarun“ to signify the stage of growth or development and funding needs of the beneficiary micro unit or entrepreneur as also provides a growth for the entrepreneur to aspire for:

7. Interpretation

Annual Report 2015–16 PMJDY volumes for financial inclusion, as on March 31, 2016 All scheduled banks Total In PMJDY accounts PMJDY as % of total Deposits (₹ crore) 99,26,500 35,600 0.36% Total MFI/SHG/MUDRA/BSBDA OD loans outstanding 3 Small loans as % of total Credit (₹ crore) 77,25,300 2,39,700 3.10% Source: www.pmjdy.gov.in Table 2.3: Some Financial Inclusion Indicators

No of adults 84 crore a

No of households (2011) b 24.66 crore

No of rural households (2011) 16.78 crore No of deposit accounts – Commercial Banks (March 2015)c Of which rural accounts Of which PMJDY accounts 143.99 crore 49.40 crore 14.716 crore

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No of BSBD accounts with banks (March 2015) d 39.81 crore Banking outlets in villages (March 2015) e Of which branches 5, 53,713 49,571

No of deposit accounts—Post office (March 2015)f 39.93 crore

No of NREGS accounts—Post office (March 2015) 6.49 crore No of loan accounts commercial banks (March 2015) of which rural accounts 14.42 crore 4.99 crore

No of loan accounts with Micro Finance Institutions (MFIs) (March 2015)h 3.71 crore

No of saving SHG members (March 2015)i 10.02 crore No of borrowing SHG members (March 2014) 5.84 crore

8. Conclusion

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. Just as banking the unbanked, MUDRA banks main aim is funding the unfunded. MUDRA Yojana is the most recent scheme to boost up the small and micro business units in India. This scheme has been taken to focus exclusively on entrepreneurs. This type of scheme will add to the well-being of the individuals engaged in small-scale industries which will positively shape the progress of the economy as a whole. MUDRA as a financial tool is found very effective in its early stages across the country. This will definitely make a dramatic change and will help in making a developed India.