PRADHAN MANTRI MUDRA YOJANA: A NEW FINANCIAL INCLUSION INITIATIVE

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ABSTRACT

Financial Inclusion is a much cherished policy in India and our economic policy has always been driven by an underlying intent of a sustainable and inclusive growth. The main aim behind the financial inclusion is to cover the all section of population under financial services and banking services such as savings, insurance, pension and credit. Government of India (GOI) has introduced some major steps to funding the unfunded micro enterprises segment through a new financial inclusion initiative like Pradhan Mantri Mudra Yojana (PMMY). Among the initiatives taken by GOI in that the major initiative is PMMY plays a major role in achieving of greater financial inclusion in India. It is launched on 8th April, 2015. Slogan of this scheme is “Punji-Safalata ki Kunji”. The purpose behind the launching of PMMY is to provide credit inclusion to small businesses whose credit requirement is up to Rs.10 lakh. This research paper takes in depth overview on salient features of PMMY, MUDRA bank, MUDRA product offerings, MUDRA role & responsibilities, financial inclusion & PMMY, progress made under PMMY and state wise PMMY report. This paper is an attempt to know about the impact of Pradhan Mantri Mudra Yojana (PMMY) on financial inclusion.

Keywords

Financial inclusion initiatives, Pradhan Mantri Mudra Yojna (PMMY), Government of India (GOI), MUDRA Bank

INTRODUCTION

Finance is very effective tool in enhancing economic opportunity and fighting poverty. Financial Inclusion is a much cherished policy in India and our economic policy has always been driven by an underlying intent of a sustainable and inclusive growth. The concept of financial inclusion is introduced first time by the Governor of RBI Shri Y.V.Reddy in 2005. Financial Inclusion means process of ensuring access to appropriate financial services where needed by all sections of the society such as weaker section and low income groups at an affordable cost in a transparent manner. Government of India (GOI) has been introduced a number of financial inclusion initiatives such as Pradhan Mantri Mudra Yojana (PMMY), Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Suraksha Beema Yojana (PMSBY) and Atal Pension Yojana (APY) etc., for the weaker section, low income groups, small business man and micro enterprises. PMMY was announced by the Hon’ble Prime Minister Shri Narendra Modi on 8th April, 2015 along with the announcing of MUDRA bank. It is also known as the Mudra loan scheme. This scheme is open and is available from all bank branches across the country.

REVIEW OF LITERATURE

Some relevant research studies focus on empirical analysis on their specific areas: Mol S.TP (2014) has explained that there are certain problems like financial illiteracy, lack of awareness and customer acquisition is high. Reserve Bank of India has initiated various initiatives to enhanced financial inclusion. Information and communication technology offers the opportunity for the banks to enhance financial inclusion for the people who are unbanked. Mehar L (2014) has displayed that financial inclusion has increase in India in the last few years with many new innovations like mobile banking, ultra small branches etc., but still it is far from adequate. Verma S. (2015) has focused that the design of MUDRA Bank will not only cater to the financial problems of MSMEs but also give moral support to vast pool of young
population to materialize their dreams of becoming an entrepreneur. Rudrawar, M. A. A., & Uttarwar, V. R. (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 development of employment, GDP and entrepreneurship at large. Roy, Anup Kumar (2016) has displayed that the small businesses form the foundation of the economic strata needs to be enhanced and supported. A major number of initiatives have been taken in the past few years are a step in the right direction.

NEED OF THE STUDY

Micro enterprises face many problems so it is very backward in their position. The major problems faced by small businesses or micro enterprises includes, lack of information, financial illiteracy, entry level policies, high cost, lack of infrastructure, lack of financial access and technologies barriers. Hon’ble Finance Minister Shri Arun Jaitley has introduced in his budget speech in 2015-2016 that there are some 5.77 crore (NSSO survey data) small business units and micro units, majorly sole proprietorship, which functioning small manufacturing, trading or service businesses. 62% are held by the Scheduled Cast, Scheduled Tribe and Other Backward Class. These low income groups, weaker section it is difficult to approach formal financial services and credit. The aforesaid review indicates the importance of micro unit sectors and its financial requirement about credit. Government of India (GOI) has introduced some major steps to funding the unfunded micro enterprises segment through a new financial inclusion initiative like Pradhan Mantri Mudra Yojana (PMMY).

OBJECTIVES OF THE STUDY

- To know about the impact of Pradhan Mantri Mudra Yojana (PMMY) on financial inclusion.
- To highlight the PMMY concept, its current progress and performance in state of Rajasthan.

RESEARCH METHODOLOGY

Looking into requirements of the objectives the proposed research is based on secondary data which was collected through journals, articles, research papers and reports available at official website of MUDRA.

LIMITATIONS OF THE STUDY

- Time constraints while collecting the secondary data for the study.
- All the data for the study cannot be generalized.

PRADHAN MANTRI MUDRA YOJANA (PMMY)

Salient features of pmmy

PMMY was announced by the Hon’ble Prime Minister Shri Narendra Modi on 8th April, 2015 along with the announcing of MUDRA bank. Accordingly, the Micro Units Development & Refinance Agency Ltd (MUDRA) is set up by the Government of India. PMMY is a new financial inclusion initiative of Government of India. Its aim is not only the funding the unfunded but also aims to increase the funding gap to micro enterprises and help the existing micro units enhance their activities. GOI makes rules, regulations and guidelines relating to PMMY, to all banks and all MFIs. MUDRA is Non-banking finance institution for supporting the micro enterprises segment in the country. It provides refinance support to the banks or all MFIs for granting to micro enterprises having loan necessity up to 10 lakhs. It facilitates refinance under the PMMY.

Beneficiaries of scheme

Any Indian Citizen who has an income generating plan from micro business activities in trading, manufacturing and processing and whose loan requirement is less than Rs.10 lakh can approach for availing MUDRA loans under PMMY. Lending rate in this regard is issued by Reserve Bank of India (RBI) time to time. Non corporate small business sector (NCSBS) engaged in service sector, micro manufacturing units, fruits & vegetable vending, maintenance & repairing, handicraft making and operating food services etc. in
both areas rural as well as urban are mudra borrower under the scheme. From financial year 2016-2017 onwards, agriculture activities had made eligible under this scheme.

Mudra bank

The Union Budget conferred by the Hon’ble Finance Minister Shri Arun Jaitley, for F.Y. 2015-16, declared the formation of Micro Units Development and Refinance Agency or MUDRA Bank. It was registered as a Company in March 2015 as per Companies Act, 2013. MUDRA Bank is also a Non-Banking Finance Institution or NBFI with the Reserve Bank of India on 07th April 2015. With an objective “funding the unfunded” MUDRA had launched by the Hon’ble Prime Minister Shri Narendra Modi on 08th April 2015. MUDRA Bank is not a full-fledged bank but it is a refinancing agency. It is a partner with banks, Micro Financial Institutions and other lending institutions. MUDRA Bank is a major financial inclusion initiative in India to develop Indian economy. MUDRA has been basically formed as a wholly owned subsidiary of Small Industries Development bank of India or SIDBI with 100% capital being devoted by it. The authorized capital of MUDRA is 1000 crores & paid up capital is 750 crore, subscribed by SIDBI.

Major product offerings

MUDRA Bank has divided borrowers into three categories such as:
- Shishu: shelters loans up to Rs 50,000/-
- Kishor: shelters loans above Rs 50,000/- to up to Rs 5 lakh
- Tarun: shelters loans above Rs 5 lakh to up to Rs 10 lakh

Mudra: role and responsibilities

It will be responsible for developing, enhancing and refinancing all Micro-enterprises zone by supporting the Micro Finance Institutions which are engaged in the business of lending to micro / small business sector. MUDRA is formed to achieve the goal of “funding the unfunded”. MUDRA provides refinance support. It manages the web portal for monitoring the PMMY data. It takes other responsibilities or activities granted to it. Despite of refinance, MUDRA will also give credit guarantee to the eligible loans provided as per the scheme of Pradhan Mantri Mudra Yojana.

FINANCIAL INCLUSION AND PMMY

Reserve Bank of India had set up a committee under Shri Deepak Mohanty, Executive Director to look the medium term path on financial inclusion. The committee formed under the guidance of Shri Deepak Mohanty discussed issue regarding credit and insurance to the financially excluded group’s. Towards achieving full financial inclusion across credit and insurance Government of India had launched Pradhan Mantri Mudra Yojana. There is a crucial requirement for enhancing the economic engine is MUDRA. Many entrepreneurs of micro enterprises belong to the economically weaker section of society so that is why they are unable to access financial services. Funding this unfunded section of the society is the main aim behind the formation of Pradhan Mantri MUDRA Yojana (PMMY). It provides refinance and credit guarantee for the lenders who finance further in such type of activities. MUDRA grants loan such micro enterprises which engaged in trading, manufactoring and service sector for loan amount up to Rs. 10lakh. Micro enterprises establish a major economic portion in our nation. It gives large employment after agriculture in India. This economic portion includes micro units, small business enlist in manufacturing, trading and other sector. Micro Finance is an economic development tool whose objective is to provide income generating opportunities to the people who are financially excluded. It covers a variety of financial services which include, in addition to the provision of credit, many other credit plus services, financial literacy and other social support services. The overdraft granted of Rs.5000 under Pradhan Mantri Jan DhanYojana (PMJDY) is also treated as a part of MUDRA loans. Financial inclusion through PMMY increases the opportunities for credit requirement and refinance.

PROGRESS MADE UNDER PMMY

Government was set to disburse Rs 122188 crore loans to micro businesses under the MUDRA scheme; it has been achieved by March 2016. For the financial year 2016-2017 government was set target of 180000 crore.
The achievements and progress of PMMY is viewed on a weekly basis through a PMMY portal. Government targets to disburse Rs 1.22 lakh crore loans to micro and marginal businesses under the MUDRA scheme by March 2016. It is scheme of funding the unfunded segment. So far the F.Y. 2015-2016 I India total no. of PMMY loans sanctioned - 34880924, have been made including amount sanctioned 137449.27 crores and amount disbursed 132954.73 crores last updated on 31 March 2016, also mentioned in the table.1 below.

Table.1 PMMY Progress

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>No. of PMMY loan sanctioned</td>
<td>29953852</td>
<td>34880924</td>
</tr>
<tr>
<td>Amount Sanctioned</td>
<td>121034.61</td>
<td>121034.61 137449.27</td>
</tr>
<tr>
<td>Amount Disbursed</td>
<td>116820.58</td>
<td>116820.58 132954.73</td>
</tr>
</tbody>
</table>

Source: (http://www.mudra.org.in/)

STATE WISE PMMY REPORT: RAJASTHAN

Pradhan Mantri Mudra Yojana (PMMY) is performing well in the state of Rajasthan also. The performance and current progress of Mudra Bank in Rajasthan State has been shown in Table.2 below. At a glance the table.2 shows the success story of the PMMY.

Table-2 PMMY Current Progress in Rajasthan State

<table>
<thead>
<tr>
<th></th>
<th>Shishu (Loans up to Rs. 50,000)</th>
<th>Kishor (Loans from Rs. 50,001 to Rs. 5.00 Lakh)</th>
<th>Tarun (Loans from Rs. 5.00 to Rs. 10.00 Lakh)</th>
<th>Total</th>
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<tbody>
<tr>
<td>No Of Sanctions</td>
<td>No Of Sanctions Sanctioned Amt Disbursement Amt No Of Sanctions Sanctioned Amt Disbursement Amt No Of Sanctions Sanctioned Amt Disbursement Amt</td>
<td></td>
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</tr>
<tr>
<td>Shishu</td>
<td>Kishor</td>
<td>Tarun</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>757562</td>
<td>1597.96</td>
<td>1518.79</td>
<td>85486</td>
<td>1765.55</td>
</tr>
</tbody>
</table>

Source: PMMY Report

Table-2.1

<table>
<thead>
<tr>
<th></th>
<th>Shishu (Loans up to Rs. 50,000)</th>
<th>Kishor (Loans from Rs. 50,001 to Rs. 5.00 Lakh)</th>
<th>Tarun (Loans from Rs. 5.00 to Rs. 10.00 Lakh)</th>
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<td></td>
</tr>
<tr>
<td>Shishu</td>
<td>Kishor</td>
<td>Tarun</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>10680.01</td>
<td>2050.40</td>
<td>2004.32</td>
<td>68468</td>
<td>1601.20</td>
</tr>
</tbody>
</table>

Source: (http://www.mudra.org.in/). Disclaimer: Information is based upon the data as submitted by different banks.

We can see the current progress in PMMY by comparing both the F.Y. 2015-16 and 2016-17. The above tables 2 & 2.1 shows product wise progress of MUDRA yojana in State Rajasthan.
CONCLUSION

We have concluded from the study that due to PMMY there is a bigger change in the area of micro finance. This scheme will promote competition to give credit support to this weaker section, low income group and this unfunded population. Efforts are needed to invite more credit or loan sanctioned. Financial inclusion through PMMY increases the opportunities for credit requirement and refinance. PMMY has yielded expected results. The introduction of the national plan PMMY with other type of financial inclusion initiative, yield a valuable result. The PMMY scheme is sure to take our nation forward to the future and make India a more sustainable developed country. It recognizes that due to launch of this scheme financial inclusion has increased towards positive direction. The desired results achieved from this scheme. If it is implemented properly at the poor people, it may work as a game changing financial inclusion initiative of Government of India and may boost the Indian economy. So on the basis of the study we can say that from time to time multifarious initiatives initiated by GOI in order to enhance the financial inclusion.

REFERENCES


2) Mehar, L. (2014). FINANCIAL INCLUSION IN INDIA.


6) http://www.mudra.org.in/PMMYReport