

# An Investigation into Pradhan Mantri Mudra Yojana (PMMY) – A Study on Financial Inclusions

D. Rajagopal\*

*Assistant Professor (PT), Department of Commerce, University College for Women, Osmania University, Hyderabad, India*

**Abstract:** Providing credit to micro-enterprises, shows the practical impact through last-mile financiers such as banks, regional rural banks, microfinance institutions, and non-banking financial organisations in India. The study assessed the overall impact of MUDRA yojana. The study evaluated the MUDRA Yojana's overall effects and examined the payments made to MUDRA UdeMY's, finding that total payments made under PMMY over the course of five years starting in 2015 was 12.30 lakh crore and benefited 24.48 crore loan accounts. The government of India set up a Target under Pradhan Mantri Mudra Yojana (PMMY) for the financial year 2020-2021 was Rs. 3.50 lakh crore. The region wise performance of Targets vs. Achievements were analyzed. The paper analysis is based on the secondary source like State wise Performance, Regional wide analysis, Agency wise Achievement, In Conclusion, MUDRA scheme generates significant and ripple effect on the employment generation and subsequently on the social development.

**Keywords:** Financial inclusion, Pradhan Mantri Mudra Yojana, MUDRA.

## 1. Introduction

Pradhan Mantri Mudra Yojana (PMMY) was launched along with the launching of MUDRA on 08 April 2015 and the detailed guidelines were issued by Government of India to all banks and MFIs. MUDRA was given the responsibility of monitoring the programme by collecting the information on regular basis. As a result, MUDRA has set up a monitoring platform that collects data on lending under PMMY in a detailed manner. MUDRA was first established as a wholly owned subsidiary of the Small Industries Development Bank of India (SIDBI), with SIDBI providing all of the capital. MUDRA currently has a 1000 crore authorised capital and a 750-crore paid-up capital, both completely subscribed by SIDBI. More funding is anticipated to improve MUDRA's performance.

The objective of PMMY is the development of the micro-enterprise sector in the country by providing financial support in the form of refinancing, to achieve the goal of "Funding the Unfunded." The yojana aims to develop an entrepreneurial ecosystem and aims to create significant social impact by generating employment and providing opportunities to the aspiring youth, women, and weaker sections of the society to justify the term demographic dividend.

Subsequently GOI has also decided that MUDRA will

provide refinance support, monitor the PMMY data by managing the web portal, facilitate offering guarantees for loans granted under PMMY and take up other activities assigned to it from time to time. Accordingly MUDRA has been carrying out these functions over the last one year. The Mission of MUDRA is "To create an inclusive, sustainable, and value-based entrepreneurial culture, in collaboration with our partner institution in achieving economic success and financial security".

*Pradhan Mantri Mudra Yojna (PMMY):*

Pradhan Mantri Mudra Yojna launched one more scheme under PMMY known as 'Shishu', 'Kishore' and 'Tarun' which basically aim to fulfil growth/ development and funding needs of micro enterprises and they also suggest them for their future opportunities which they can get.

They grant loans up to Rs 50,000 under the Shishu scheme.

- They grant loans starting from Rs 50,000 to Rs 500,000 under the Kishore scheme.
- They grant loans starting from Rs 5,00,000 to Rs 10,00,000 under the Tarun scheme.

## 2. Review of Literature

(Ramesh, 2016) This study focused on the performance appraisal of Mudra Bank Schemes - a study. The purpose behind this paper is to study about Mudra Bank Schemes and their performance. This is a descriptive research, and MUDRA data for 2015-16 has been collected from secondary medium through websites, journals and newspapers. It has been concluded in research that the performance of Shishu scheme was very good and SC/ST/OBC category got more benefit from Shishu scheme than other schemes.

(Girnara, 2015) This paper demonstrates the MUDRA Yojana and its role in promoting entrepreneurship and impact on Indian economy. The main objective of this paper is to highlight the positive impact, role effectiveness of the Mudra scheme on the Indian economy, as well as to tell the Mudra bank scheme and the interest rate on the loan. In this paper the comparison of Mudra bank loan with other business loan has been done where the interest rate of Mudra bank loan is lower than that of other business loan. Document requirement and fees are very less in Mudra loan. According to the author, the Mudra scheme has given a boost to entrepreneurship in India as

well as a positive direction to the economy.

(Mahajan) assessed the impact of MUDRA on Indian Small-Business owners and self-employed people as small enterprises employ 12 crore people and asserted that millions of low-income earning group persons aspire to set up small businesses but are unable to start due to credit limitations since banks do not find them eligible for credit loan due to collateral issues and other problems. The author appreciated the scheme launched by govt since the scheme has brought small and micro-entrepreneurs in the mainstream of the economy.

(Mani) analyzed the level of financial inclusion in North India. Broad parameters of financial inclusion were identified through detailed literature review, namely, banking, borrowing, and insurance in the educated sections of the society. The foremost reason for the low levels of financial inclusion, as revealed by the study, is lack of awareness. The populace has a highly negative perception of ease and availability of banking services, loans, and insurance. The study delivered valuable inputs to policymakers and bankers as it highlights the fact that government schemes related to financial inclusion may be implemented more effectively by creating greater levels of awareness.

(Rudrawar and Uttarwar) has concluded that the desired transformation would be achieved from the PMMY scheme. Authors asserted that if applied properly at the bottom of the pyramid, it may act as a game-changing idea and may increase, boost, and prosper the Indian economy. Authors asserted that in the coming few years, MUDRA will be a catalyst for the development of employment, GDP, and entrepreneurship at large.

(Verma) in his study has appreciated Govt. move in the direction and submitted that the design of MUDRA Bank will not only cater to the financial problems of MSMEs but also give moral support to the vast pool of young population to materialize their dreams of becoming an entrepreneur.

### 3. Research Methodology

The present study is based secondary data. The data was collected from the secondary source from the website of MUDRA and annual reports of MUDRA to achieve the objectives.

#### Objectives:

- To assess the overall impact of MUDRA yojana.

- To evaluated the overall performance of MUDRA among top 10 states, according to banks finances, and according to categories.

### 4. Discussion and Analysis

Performance analysis of PMMY during FY 2020-21 on the basis of agency wise achievement, state wise performance and on the basis of loan category.

#### Agency wise Achievement:

The target set by the Government of India under PMMY for the year 2020-2021 was ` 3.50 lakh crore which was distributed across various lending institutions banks, MFIs and NBFCs based on their outreach and presence in various parts of the country. The category-wise performance against their overall targets for the year 2020-21 is as under:

The government of India set up a Target under Pradhan Mantri Mudra Yojana (PMMY) for the financial year 2020-2021 was Rs. 3.50 lakh crore, and the sanctioned amount 3,21,759 with growth rate of (5%) of which Public Sector Banks (incl. Regional Rural Banks) target was 1,28,500, Private Sector Banks (incl. Foreign Banks) was 91,700, Small Finance Banks was 29,800, Micro Finance Institutions 59,200, Non-Banking Finance Companies was 40,800.

The growth rate for the financial year (2020-2021) for Public Sector Banks (incl. Regional Rural Banks) is 10%, Private Sector Banks (incl. Foreign Banks) growth rate is 2%, Small Finance Banks with a negative growth rate of (33%), Micro Finance Institutions with a negative growth rate of (20%), Non-Banking Finance Companies with a negative growth rate of (21%) over the last year 2019-2020. It is very clear that there is a negative growth for the Small Finance Banks, Micro Finance Institutions and Non-Banking Finance Companies.

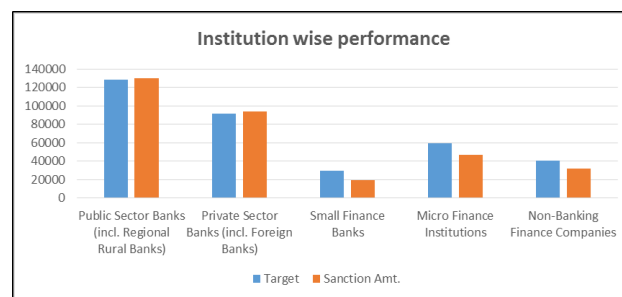


Table 1  
Institution wise performance (In crore)

Category	Target (2020-2021)	Sanction Amt. (2020-2021)	Sanction Amt. (2019-20)	Growth
Public Sector Banks (incl. Regional Rural Banks)	1,28,500	1,29,915	1,17,729	10%
Private Sector Banks (incl. Foreign Banks)	91,700	93,613.20	91,780	2%
Small Finance Banks	29,800	19,646.68	29,501	(33%)
Micro Finance Institutions	59,200	46,601.40	57,967	(20%)
Non-Banking Finance Companies	40,800	31,983.17	40,518	(21%)
Total	3,50,000	3,21,759	3,37,495	(5%)

Source: Annual Reports

### State wise Performance:

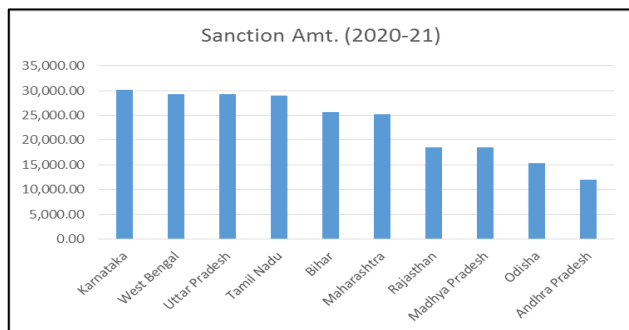
While the Institution wise targets were assigned by the Govt. of India, the same were further sub-allocated state-wise by the respective lending institutions based on their network and potential to lend. The state level performance is being monitored by the respective SLBCs of the states. Of all the states, Karnataka topped with sanction of 30,199.18 crore, followed by West Bengal with 29,335.98 crore and Uttar Pradesh stood at third position with 29,231.25 crore.

Table 2  
Performance of top 10 states (In crore)

Name of the state	Sanction Amt. (2020-21)	Sanction Amt. (2019-20)
Karnataka	30,199.18	30,188
West Bengal	29,335.98	26,790
Uttar Pradesh	29,231.35	30,949
Tamil Nadu	28,967.97	35,017
Bihar	25,589.31	27,442
Maharashtra	25,208.63	27,903
Rajasthan	18,571.38	19,662
Madhya Pradesh	18,474.24	19,060
Odisha	15,328.63	15,419
Andhra Pradesh	12,028.33	10,439.93
Total	2,32,935	2,42,869.93

Source: Annual Reports

From the table, it is clearly that Karnataka state tops among other states for the financial year 2020-21. The total amount for the financial year 2020-21 was 2,32,935, out of which the Karnataka state was sanctioned with an amount of 30,199.18 (In crore). The least sanctioned amount for the state of Andhra Pradesh among top 10 states was of 12,028.33.

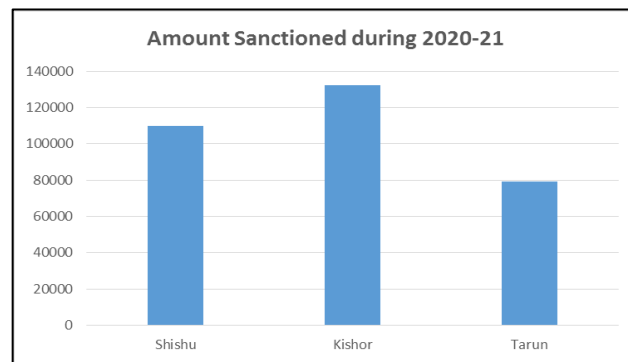
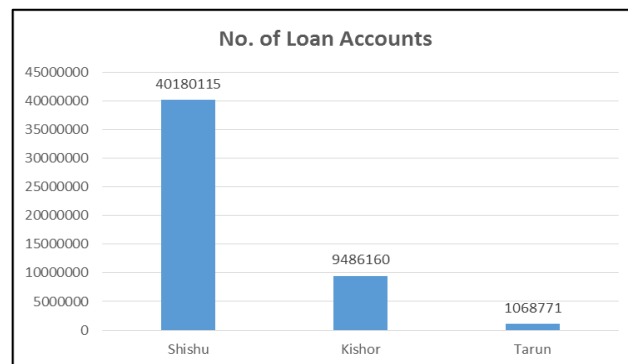


### Loan Category Analysis:

Mudra loans are extended in three categories based on the size of the loans. They are Shishu (upto ` 50,000), Kishore (above ` 50,000 and upto ` 5 lakh) and Tarun (Above ` 5 lakh and upto ` 10 lakh). The share of the three categories of PMMY

has been analysed and is given in the table 3.

The total number of loan accounts according to category wise are: Shishu 4,01,80,115, (79%), Kishor 94,86,160, (19%), Tarun 10,68,771, (2%). Among the three categories, Shishu loans had the largest share of 79% in terms of number of accounts and 34% in terms of value. However, Shishu Loans sanction reduced by 33% over last year because of the impact of COVID-19. There is an increase in the sanctioned amount as well as number of accounts under Kishor category. The percentage growth of the amount sanctioned for Shishu was (33%), Kishor was 39%, Tarun was 1%.



## 5. Conclusion

In India, Small and Micro business units contribute to the progress of the economy by providing employment to significant chunk of population and thus contributing to the Country's GDP. However, small firms suffer and struggle with finding the investment to grow and sustain their operations. With the goal of "financing the unfunded," the Micro Units Development and Refinance Agency (MUDRA) was a great initiative by the Government of India in 2015. MUDRA has proven to be a new source of funding for small businesses that

Table 3  
Category wise analysis of PMMY scheme

Category	2020-2021		2019-2020		% Change (Sanction amount)
	No. of loan accounts	Sanction Amt.	No. of loan accounts	Sanction Amt.	
Shishu	4,01,80,115 (79%)	1,09,953 (34%)	5,44,90,617 (88%)	1,63,528 (48%)	(33%)
Kishor	94,86,160 (19%)	1,32,516 (41%)	64,71,873 (10%)	95,578 (28%)	39%
Tarun	10,68,771 (2%)	79,290 (25%)	12,85,116 (2%)	78,358 (24%)	1%
<b>Total</b>	<b>5,07,35,046</b>	<b>3,21,759</b>	<b>6,22,47,606</b>	<b>3,37,495</b>	<b>(5%)</b>

Source: Annual Reports

need up to Rs. 10 lakhs. Through the MUDRA project, an inclusive, long-lasting, and value-based entrepreneurial culture is created in order to achieve economic success and financial security. MUDRA has given the country a tremendous opportunity to change people's lives, and it will also result in the development of a platform that will fundamentally alter the concept of financial inclusion in our country.

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