



A Comprehensive analysis on Mudra Yojana effectiveness

Ambica Jakkampudi

Lecturer, Management, Nalanda Degree college

ABSTRACT

This paper delves into the Pradhan Mantri Mudra Yojana (PMMY), a crucial financial initiative aimed at empowering micro-entrepreneurs across India and fostering equitable economic growth. It presents a detailed assessment of the scheme's performance from the fiscal years 2015-16 to 2022-23.

Over this period, the plan has witnessed a significant increase in granted loans, with 62.31 million loans sanctioned in 2022-23, indicating its growing role in promoting entrepreneurial activity. The disbursed amounts surged from INR 1,32,954.73 crores to INR 4,50,423.66 crores, while the sanctioned amounts rose from INR 1,37,449.27 crores to INR 4,56,537.98 crores.

A geographical analysis reveals that Mudra Yojana's activities are concentrated in specific regions, prompting further investigation into the underlying factors. A sectoral analysis shows the scheme's varying impacts across different industries, with dynamic patterns emerging. Qualitative assessments highlight success stories of revenue growth, job creation, and business expansion, while also pointing out implementation challenges and deviations from objectives.

Overall, this study provides valuable insights into the success of PMMY, contributing to discussions on financial inclusion and microfinance. Its findings offer a foundation for informed policy decisions and strategic adjustments, ultimately promoting equitable economic growth and the ongoing empowerment of micro-entrepreneurs in India.

Key words: Mudra Yojana, Micro-Entrepreneurs, Loan Disbursements, Economic Growth, Business Expansion

Introduction

A business's ability to survive heavily depends on its finances. Many small businesses and entrepreneurs often rely on the unorganized sector for loans and credit facilities due to the exorbitant interest rates and unfavorable terms offered by traditional lenders. This reliance leads to significant debt and limited access to external funding sources. Recognizing the value of self-employment for individuals and small business units, the Government of India launched the Mudra Bank scheme under the Pradhan Mantri Mudra Yojana (PMMY). This initiative aims to provide financial assistance to Micro, Small, and Medium Enterprises (MSMEs), particularly targeting young, educated, skilled workers, and entrepreneurs, including women entrepreneurs.

The fundamental principle of India's financial structure has always been sensible and all-encompassing expansion. In 2005, RBI Governor Shri Y.V. Reddy introduced the concept of financial inclusion, which ensures that all segments of society, including low-income and marginalized groups, have affordable access to appropriate financial services. The Government of India has introduced several financial inclusion initiatives, such as the Pradhan Mantri Mudra Yojana (PMMY), Pradhan Mantri Jeevan Jyoti Bhima Yojana (PMJJBY), Pradhan Mantri Jan Dhan Yojana (PMJDY), Atal Pension Yojana (APY), and Pradhan Mantri Suraksha Bhima Yojana (PMSBY), to support small business owners, marginalized communities, low-income groups, and microenterprises.

On April 8, 2015, the Honourable Prime Minister Narendra Modi launched the PMMY and MUDRA Bank, commonly referred to as the Mudra Yojana Scheme. This program is available at all bank locations nationwide and is a vital component of India's financial inclusion strategy. The main goal of financial inclusion is to bring all demographic groups under financial management. The Government of India has introduced several important initiatives to "Fund the Unfunded" micro-enterprise divisions, with the PMMY being crucial to this effort. The scheme aims to meet the credit requirements of small businesses up to INR 10 lakhs.

The vision behind PMMY is grounded in inclusion, justice, and socioeconomic equity, ensuring equitable economic growth and development. Inclusive development is defined by equal opportunity and access to financial and non-financial services, addressing inequality and empowering all citizens, especially the most vulnerable and impoverished. Access to the financial system is essential for empowering the general populace, offering fundamental financial services such as bank accounts, affordable loans for personal, commercial, and self-employment purposes, and insurance.

These loans are provided by small finance banks, Non-Banking Financial Companies (NBFCs), Microfinance Institutions (MFIs), Regional Rural Banks (RRBs), and commercial banks. Borrowers can apply either in person at any of the aforementioned lending institutions or online at www.udyamimitra.in.

In line with PMMY principles, MUDRA has established three products: "Shishu," "Kishore," and "Tarun," representing the financial needs and developmental stages of the micro unit or business. These products also serve as benchmarks for the next expansion stage

Mudra Yojana

The Pradhan Mantri Mudra Yojana (PMMY) is a flagship program launched by the Indian government to provide affordable financing to small enterprises and startups. The goal of Mudra Yojana is to "help the unfunded" by bringing unregulated banking operations into compliance with fiscal and regulatory standards. The scheme offers credit to small, non-agricultural firms engaged in trade, manufacturing, services, and other essential economic activities.

Launched by Prime Minister Narendra Modi on April 8, 2015, PMMY aims to extend loans up to ₹10 lakhs to non-corporate organizations. The program facilitates financing for the credit needs of all non-farm revenue-generating businesses. Its primary objective is to provide loans to small and medium-sized enterprises that are neither corporate entities nor agricultural ventures, thereby supporting the growth and sustainability of these vital sectors.

The salient features of Mudra Yojana

1. On April 8, 2015, the Hon. Prime Minister Shri Narendra Modi released PMMY along with the Mudra Bank report.
2. There are three types of lending schemes: Tarun, Kishore, and Shishu.
3. For each plan, the maximum loan amount is Rs 50,000, Rs 5 lakhs, and Rs 10 lakhs, respectively.
4. PMMY is an additional government of India financial inclusion programme that aims to widen the financing gap for microenterprises in addition to supporting the underfunded.
5. It also aids in the improvement of operations for already-existing micro-units.

The purposes of Mudra Yojana include

1. Micro Unit Equipment Financing.
2. Financing for two-wheelers, tractors, and tillers that are exclusively utilised for business.
3. Making working capital available via Mudra cards.
4. Loans for non-farm, agri-allied businesses that generate revenue.
5. Business loans for merchants, dealers, retailers, and other service industry enterprises.

Product under Mudra Yojana

SHISHU

- Purpose: This loan is intended for business owners who are starting or in the process of starting a business.
- Loan Amount: Up to Rs. 50,000.
- Guidelines: The loan is primarily for financing machinery and requires accurate quotes and supplier information.

KISHOR

- Purpose: This category is for business owners who need additional capital to grow their enterprise.
- Loan Amount: Rs. 50,001 to Rs. 5 lakhs.
- Requirements:
 - Current balance sheet for the preceding two years.
 - Bank account statements.
 - Income and sales returns.
 - Anticipated balance sheet for the current year.
 - Technical and financial feasibility of the project.

TARUN

- Purpose: This category is for seasoned business owners looking to expand or diversify their offerings.

- Loan Amount: Rs. 5,00,001 to Rs. 10 lakhs.
- Requirements:
- Same as KISHOR loans, plus:
- Evidence of address.
- Identification.
- Caste certificate (if applicable).
- These categories under the Mudra Yojana provide a structured approach to cater to the varying financial needs of micro and small enterprises, supporting them through different stages of growth and development

Mudra Yojana Eligibility

Indian citizens with business plans in the service sector, trading, or manufacturing activities, seeking amounts up to Rs. 10 lakhs, can apply for Mudra Yojana. The eligibility criteria include

I. Eligible Borrowers

- a. Small manufacturers.
- b. Fruit and vegetable dealers.
- c. Shopkeepers.
- d. Individuals engaged in agriculture (livestock, Poultry, Pisciculture, etc.).

II. Types of Entities Eligible

- a. Individuals.
- b. Proprietary concerns.
- c. Partnership firms.
- d. Private Ltd. companies.
- e. Public companies.

Candidates must keep a good credit history and not have a history of defaults with any bank or financial institution. For the intended activity, individual borrowers might need to have the required training, expertise, or knowledge. The kind of the suggested activity and its particular needs should be taken into consideration when determining if any educational background is necessary.

Statement of the Research Problem

In India, small businesses account for the majority of people's primary source of income. These companies mostly rely on the unorganised sector for loans and other credit facilities, which can have high interest rates and stringent restrictions. Ultimately, it results in debt for these marginalised companies. Unregistered enterprises make up the bulk of non-corporate businesses. They do not formally pay taxes, nor do they maintain correct books of accounts. As a result, banks find it challenging to lend to them. The vast majority of these companies lack access to outside capital sources. Acknowledging the importance of independent contractors and small enterprises, the Indian government established the Mudra Bank Scheme under the Pradhan Mantri Mudra Yojana to support these firms. In order to integrate young, educated, or talented workers and entrepreneurs, especially women entrepreneurs, this programme provides financial support to MSMEs that hire a considerable number of companies.

Objectives of the study

1. To Assess Mudra Yojana's Quantitative Performance
2. To Assess Mudra Yojana's Qualitative Impact and Implementation Challenges
3. To offer suggestions based on the results of the investigation.

Data and Methodology

All of the data used in this study was gathered from secondary sources. This covers Mudra's official website as well as other resources like newspapers and periodicals. Descriptive statistics like mean, variance, range, and standard deviation are used to analyse the data. A bar chart is being used to illustrate the Mudra Yojana trend.

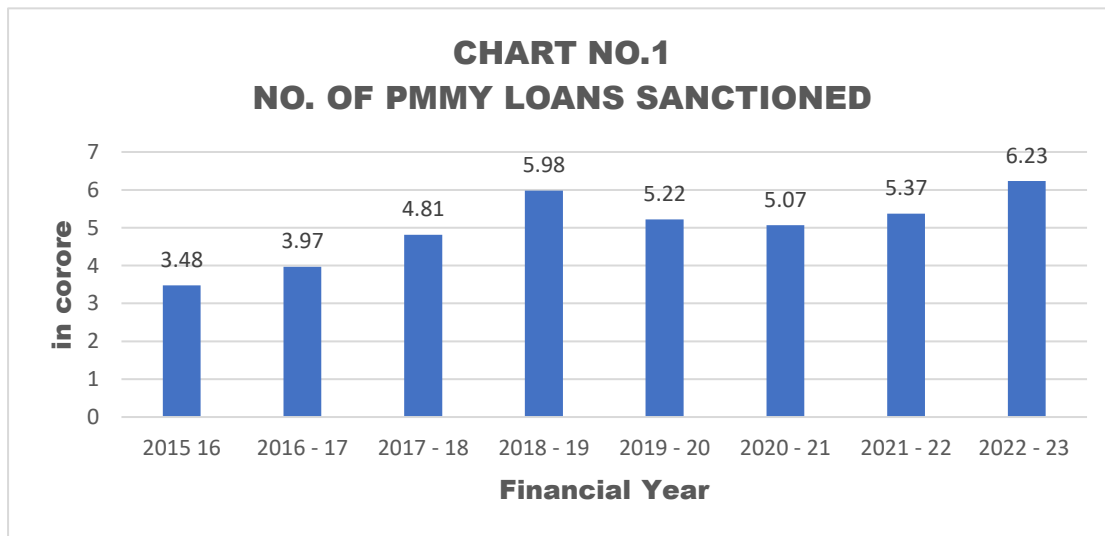
Analysis of Data

Table No. 1 Financial Performance of Mudra Yojana

(Amount in Crore)

Financial Year	No. Of PMMY Loans Sanctioned	Amount Sanctioned	Amount Disbursed
2015 - 16	3,48,80,924	1,37,449.27	1,32,954.73
2016 - 17	3,97,01,047	1,80,528.54	1,75,312.13
2017 - 18	4,81,30,593	2,53,677.10	2,46,437.40
2018 - 19	5,98,70,318	3,21,722.79	3,11,811.38
2019 - 20	6,22,47,606	3,37,495.53	3,29,715.03
2020 - 21	5,07,35,046	3,21,759.25	3,11,754.47
2021 - 22	5,37,95,526	3,39,110.35	3,31,402.20
2022 - 23	6,23,10,598	4,56,537.98	4,50,423.66

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



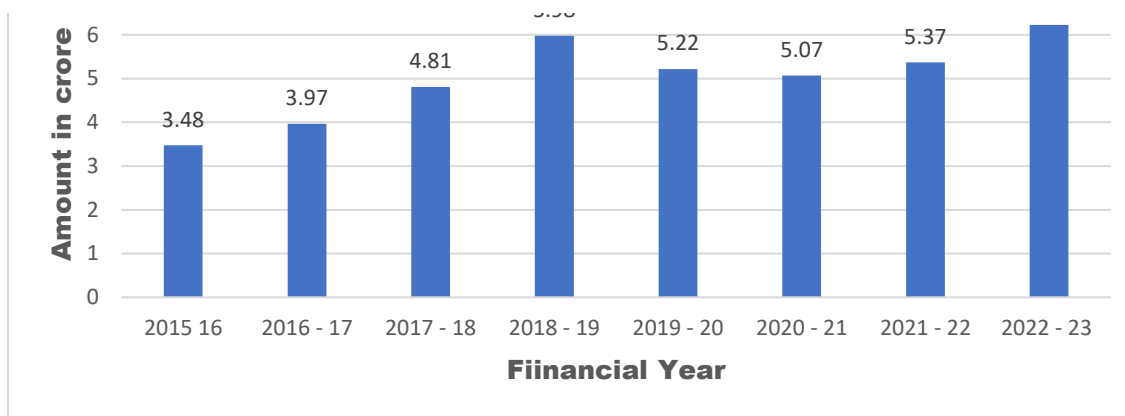


Table No. 2 Descriptive Statistics

	N	Range	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
No. Of PMMY Loans Sanctioned	8	27429674.00	34880924.00	62310598.00	51458957.2500	3622955.79793	10247266.45063	105006469710252.780
Amount Sanctioned	8	319088.71	137449.27	456537.98	293535.1013	35580.05042	100635.57970	10127519901.603
Amount Disbursed	8	317468.93	132954.73	450423.66	286226.3750	35248.21987	99697.02118	9939496033.024

(Source: SPSS 2020)

Findings and Suggestions

Analysis and Recommendations for Mudra Yojana

Table No. 1 on the descriptive analysis of Mudra Yojana reveals notable trends and patterns. The data indicates a consistent increase in the number of PMMY loans sanctioned, reaching 6,23,10,598 in 2022-23, reflecting a growing reliance on Mudra Yojana for small businesses. The substantial growth in the sanctioned amount, from ₹1,37,449.27 crores in 2015-16 to ₹4,56,537.98 crores in 2022-23, underscores an increasing financial commitment to supporting entrepreneurs. The upward trend in the amount disbursed, from ₹1,32,954.73 crores to ₹4,50,423.66 crores, signifies the government's dedication to ensuring effective fund utilization. Comparative analysis suggests potential shifts in the efficiency of the disbursement process or changes in loan application characteristics. Overall, the data reflects sustained government support for micro-enterprises.

Table No. 2, providing descriptive statistics, highlights a wide range of sanctioned loans and varied loan amounts, indicating diverse financial commitments. The consistent range for disbursed amounts and moderate standard deviations suggest stability and a degree of consistency in Mudra Yojana performance. Substantial variance in the number of loans sanctioned points to changing dynamics in loan demand, reflecting the government's adaptive response to evolving economic conditions.

Recommendations for Improvement Minimize Documentation Requirements:

- Simplify the documentation process to facilitate easier access for beneficiaries.
- Reduce Interest Rates:
 - Lower interest rates to ensure they do not become a burden for loan recipients.
- Repayment Post Completion of the Course:
 - Implement policies emphasizing loan repayment after the completion of business courses or training programs.
- Enhance Customer Service:
 - Encourage officials to provide cordial treatment and furnish accurate information to beneficiaries.
- Focus on Minority Sectors and Women Entrepreneurs:
 - Pay special attention to the minority sector and promote women entrepreneurs to address the unique challenges they face.
- Leverage Media Channels:

- Encourage beneficiaries to use media channels, such as television and bank websites, for loan-related queries.

Organize Awareness Programs:

- Banks should organize awareness programs to educate entrepreneurs about the Mudra Yojana scheme and its benefits.
- Implementing these suggestions can enhance the accessibility, effectiveness, and overall impact of the Mudra Yojana scheme, further supporting the growth and development of micro and small enterprises in India

Conclusion

The examination of Mudra Yojana highlights its substantial contribution to India's economic growth and development. The consistent increase in the number of sanctioned loans, along with the significant rise in both sanctioned and disbursed amounts, indicates the government's steadfast commitment to empowering micro-entrepreneurs and fostering economic inclusivity. This success is evident not only in quantitative metrics but also in qualitative aspects, as demonstrated by success stories showcasing enhanced revenue, employment opportunities, and business expansion.

The scheme's extensive reach across diverse sectors and regions further solidifies its role in promoting inclusive development. However, the study emphasizes the need for ongoing improvements, advocating for reduced documentation requirements, lower interest rates, and heightened awareness to enhance the scheme's efficacy. These measures are essential to continually contribute to equitable economic growth in India.

Reference

- Shahid, M., & Irshad, M. (2016). a Descriptive Study on Pradhan Manthri Mudra Yojana (Pmmy). *International Journal of Latest Trends in Engineering and Technology*, 3(5), 121-125.
- Mahajan, Y. (2019). A study and review of Pradhan Mantri Mudra Yojana (PMMY) in the state of Maharashtra. *International Journal of Advance and Innovative Research*, 6(2).
- Agarwal, M., & Dwivedi, R. (2017). Pradhan Mantri Mudra Yojna: a Critical Review. *Parikalpana: KIIT Journal of Management*, 13(2), 97-106.
- Kumar, P., & Nandrajog, D. (2021). The impact of Pradhan Mantri Mudra Yojana on the socioeconomic development of women in India: A study of Delhi-NCR. *Asian Journal of Management*, 12(4), 411-419.
- Ghanti, N. S., & Hiremath, S. S. (2021). A Study of Effectiveness of Pradhan mantri Mudra Yojana in Belagavi city. *International Research Journal of Humanities and Interdisciplinary Studies (IRJHIS)*, 2(4), 31-36.
- Rupa, R. (2017). Progress of MUDRA with special reference to Tamil Nadu. *EPRA International Journal of Economic and Business Review*, 5(1), 90-94.
- Shashank, B. S., & Mayya, S. (2022). An Analysis of Pan-India Financial Intermediation Accomplished through the Implementation of Pradhan Mantri Mudra Yojana (PMMY)-Literature Review. *International Journal of Case Studies in Business, IT and Education (IJCSBE)*, 6(2), 141-173.
- Bindal, A., & Singh, R. R. (2019). A Study and Review of Pradhan Mantri Mudra Yojana. *Journal Of Education: Rabindra Bharati University*, 2(5), 34-47.
- SALGOTRA, A. K., KANDARI, P., & BAHUGUNA, U. (2021). Does access to finance eradicate poverty? A case study of Mudra beneficiaries. *The Journal of Asian Finance, Economics and Business*, 8(1), 637-646.
- Mirwani, P. M., & Gawde, V. M. (2019). A STUDY ON CRITICAL ANALYSIS OF PRIME MINISTER MUDRA YOJANA IN THE STATE OF MAHARASHTRA. *Advance and Innovative Research*, 260.
- Sahoo, A. K., & Rani, P. (2019). Performance of Pradhan Mantri MUDRA Yojana (PMMY): A Case Study of Haryana. *International Journal of Research in Social Sciences*, 9(5), 693-709.
- Poornima, V. (2019). A Study on Pradhan Manthri Mudra Yojana-Mudra Scheme. *International Journal*, 7(8).
- Vijay Kumar. "A comprehensive analysis of "Pradhan Mantri MUDRA Yojana" – Achievements and bottlenecks"
- www.reservebank.com
- www.mudramitra.org.in
- www.mudra.org.in