



Pradhan Mantri MUDRA Yojana: A Critical Analysis

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Abstract: -The paper on Pradhan Mantri MUDRA Yojana (PMMY) explores the performance and the impact of the scheme in promoting entrepreneurship and self-employment among small and micro enterprises in India. The paper provides an overview of the scheme, its objectives, key features and challenges. It also examines the lending criteria and disbursing loans to beneficiaries under the scheme. The paper highlights the success of PMMY in providing financial assistance to over 30 crore beneficiaries as of March 2021, and its contribution to the growth of the MSME sector in the country. The scheme has also played a significant role in empowering women entrepreneurs, with 70% of the loans sanctioned under the scheme being to women-owned enterprises. This research paper includes the overview of Pradhan Mantri MUDRA Yojana, performance analysis and SWOT analysis of the scheme. The scheme has the potential to further strengthen the MSME sector and create more employment opportunities in the country.

Keyword: *MUDRA, SWOT analysis, and Performance Appraisal*

Introduction:-One of the most important things to boost a nation's economic growth is the growth of small businesses. Small businesses have the potential to considerably increase job opportunities in addition to contributing to the GDP. The function of small businesses becomes extremely important in emerging nations like India, where the population is relatively high and unemployment is a significant socioeconomic issue. The primary obstacles to starting a small business are a lack of entrepreneurship skills and a lack of funding. On April 8, 2015, the Government of India (GOI) officially unveiled its MUDRA (Micro Units Development and Refinancing Agency) Bank programme. The MUDRA (Micro Units Development and Refinance Agency) scheme is a flagship initiative by the Indian government aimed at providing financial assistance to micro-enterprises and small businesses. The scheme was launched on April 8, 2015, by Prime Minister Narendra Modi, as a part of the government's efforts to promote entrepreneurship and create employment opportunities. Under the PMMY, loans up to Rs. 10 lakhs are provided to non-corporate, non-farm small/micro enterprises. Its motto is "fund the underfunded," which means that the main goal of this programme is to give money to the less fortunate and less affluent members of society. This organisation is focused on increasing the flow of funding to the micro- and small-business sector, which will eventually result in social and financial inclusion in the economy (Shiny, 2017). This program's financial assistance in the form of specifically tailored loans encourages would-be entrepreneurs to launch new businesses and, in addition, gives them power by ensuring their financial independence (Mahajan 2018). Every bank branches in India offer loans that one can apply for. The Pradhan Mantri MUDRA Yojana's principal goals are to encourage micro, small, and medium-sized businesses and foster an entrepreneurial spirit among aspiring businesspeople. In order to help micro, small, and medium-sized businesses, MUDRA Bank wants to foster financial inclusion through refinancing and development support (MSME).

Review of Literature

Agarwal and Dwivedi (2017) used a critical methodology to examine the performance of the MUDRA scheme by state, caste, and category. To understand the strengths, weaknesses, opportunities, and difficulties related to the plan, a SWOT analysis has been used. According to the survey, women



entrepreneurs profit from the programme the greatest, with a percentage share of disbursement for women entrepreneurs in 2015–16 and 2016–17 both at 46%. The study suggested that the programme be expanded to include the personal sector in addition to farms, factories, and minority-owned businesses.

Roy (2016) looked at PMMY and its main goals; specifically highlighted in the study is the role and significance of MUDRA Bank towards the small business unit or the microfinance institutions. The study also makes an effort to understand and visualise various PMMY schemes. To paint a picture of the loans sanctioned and distributed under the PMMY for various categories of borrowers, data from various secondary sources is gathered. The study's conclusion discusses the significance of the MUDRA Yojana and its effectiveness in light of its crucial role in fostering small and microbusinesses in India.

Sahoo and Rani (2019) show that private banks offer more loans in the Shishu category than in the other two MUDRA loan categories. This is due to the fact that the loan amounts under the Kishore and Tarun category are significantly bigger and, hence, riskier to private banks. Also, the examination of the PMMY's district-level performance demonstrates that semi-urbanized major districts have the highest number of beneficiaries and amount sanctioned for the Shishu category. Most urbanised and densely inhabited districts make up the biggest proportions for the Kishore and Tarun categories. However, the district-level performance of the PMMY has a darker side in that rural and underdeveloped districts in Haryana exhibit virtually little contribution in any of the categories.

Soni (2016) discussed the legal structure necessary to access benefits under the MUDRA scheme. The applicants must possess the qualifications to start the intended activity as well as a sufficient credit history. In accordance with the study's major objectives, the MUDRA Yojana may compete favourably with other programmes like the Made in India, Startup India, and Stand-up India campaigns.

Mahajan (2018) examined how the MUDRA Yojana under The PMMY in 2016 affected small company owners and independent contractors. Data gathered from secondary sources was analysed using descriptive statistical methods. The PMMY analysis by region reveals that all four regions have had extensive coverage, although the south region has benefited the most over the course of the year. According to individual bank performance, State Bank of India leads all other banks in terms of MUDRA loan distribution for the year. The analysis finds that the demand for Indian rupees in the global commerce market can increase if the MUDRA scheme's products can generate foreign money. According to **Gangadhar M. (2022)**, Karnataka is first among the top 10 states for loan sanctions. Also, under the Mudra plan, bank accounts and sanction loans have been demonstrated in many parts of India. 41% of the total sanctioned amount was given to female borrowers. Women held 66% of the accounts in the Shishu category and received 69% of the sanctioned amount. The MFIs' preference for extending microloans to women is the cause of the high proportion of women in the Shishu group. The financial year 2020–2021 had a goal total of Rs. 3.50 lakh crore, a sanction amount of 3,21,759, and a growth rate of (5%).

Objective of the Study

- To discuss in detail about Pradhan Mantri Mudra Yojana (PMMY).
- To analyse the overall performance of the scheme.

Features of PMMY: -The following are some of the key features of MUDRA Yojana:

- The loans are provided under three categories - Shishu, Kishor, and Tarun, based on the stage of growth of the enterprise.
- The interest rates on loans under MUDRA Yojana are competitive, and the repayment tenure ranges from 3 to 5 years.



- The loans are collateral-free, and the lending institutions are required to disburse loans within 7 days of receiving the application.
- The scheme has a strong focus on women entrepreneurs, with 70% of the loans sanctioned under the scheme being to women-owned enterprises.

Objectives of PMMY:-The primary objective of the MUDRA scheme is to provide financial assistance to micro and small enterprises in the form of loans up to Rs. 10 lakhs (\$13,636.36). The scheme aims to achieve the following objectives:

1. Encourage entrepreneurship among small businesses and create employment opportunities
2. Provide financial assistance to micro and small enterprises to meet their business requirements
3. Promote the development of a robust microfinance sector in India
4. Encourage financial institutions to lend to micro and small enterprises
5. Enable micro and small enterprises to access formal credit and financial services

SWOT Analysis

Strengths

- ✓ The programme can aid and assist small businesses and those in need.
- ✓ The programme featuring nominal interest rates
- ✓ Loan applications are fairly simple to submit.
- ✓ Also, it provides the borrower with a credit guarantee. It indicates that the individual won't just accumulate debt.
- ✓ There are certain agents recruited under the committee who will provide guidance on how to organise and conduct a business so that there are the least possible possibilities of having a poor outcome.
- ✓ All small company units and sectors will be monitored, and a regular review will be made depending on how well they function.

Weakness

- ✓ The promotion of shadow banking is a possibility.
- ✓ Due to the MUDRA Bank's functions and obligations, there may be a possible conflict of interest.
- ✓ There may be several MFI regulators.
- ✓ People are not aware of the scheme.

Opportunities

- ✓ Job creation may receive more attention.
- ✓ The Scheme may be expanded to include the private sector in addition to farmers and enterprises.
- ✓ Further cooperation with MFIs is possible.
- ✓ The programme might be amended to provide additional support for female entrepreneurs.

Threats

- ✓ There is a more effective way to finance small and micro businesses.
- ✓ There are several already-established refinancing companies.
- ✓ Because of changing interest rates, there may be confusion.

Nodal agencies Implementing the Scheme:-The MUDRA scheme is implemented through various financial institutions, including banks, non-banking financial companies (NBFCs), microfinance institutions (MFIs), and regional rural banks (RRBs). These institutions are categorized into three types based on the loan amount provided:

1. **Shishu - Loans up to Rs. 50,000**



2. *Kishore - Loans from Rs. 50,000 to Rs. 5 lakhs*

3. *Tarun - Loans from Rs. 5 lakhs to Rs. 10 lakhs*

The borrowers can avail of the loan amount for various business requirements, including working capital, purchasing machinery or equipment, or expanding their business. The loan tenure can vary from 3 to 5 years, depending on the borrower's requirement.

Impact Since its launch in 2015, the MUDRA scheme has made significant progress in promoting entrepreneurship and providing financial assistance to micro and small enterprises. According to the Ministry of Finance, the scheme has disbursed loans worth Rs. 4.83 lakh crore (\$65.98 billion) to over 19.78 crore beneficiaries as of March 2021.

The scheme has also contributed to the growth of the microfinance sector in India. The availability of formal credit and financial services has enabled micro and small enterprises to expand their businesses, create employment opportunities, and contribute to the country's economic growth.

Performance Appraisal of PMMY:-Since its launch in 2015, the PMMY has made significant progress in providing financial assistance to micro and small enterprises. As per the data released by the Ministry of Finance, the PMMY has sanctioned loans worth Rs. 16.49 lakh crore to over 30 crore beneficiaries as of March 2021 (1). The scheme has been able to provide financial assistance to entrepreneurs from all sections of the society including women, scheduled castes and tribes, and minority communities.

One of the major achievements of the PMMY is the increase in the credit flow to the micro and small enterprises. The scheme has helped in increasing the credit flow to the sector which was earlier ignored by the formal banking system. The PMMY has also helped in the reduction of interest rates for the micro and small enterprises. The scheme has incentivized the banks to provide loans to the sector by offering them a credit guarantee. This has resulted in an increase in the number of banks offering loans to the sector.

The PMMY has been successful in disbursing loans to small businesses and entrepreneurs in India. According to the Ministry of Finance, as of March 2021, the scheme had disbursed loans worth Rs. 17.94 lakh crore (\$242 billion) to over 30.57 million beneficiaries. The scheme has been instrumental in supporting small businesses and entrepreneurs, especially during the Covid-19 pandemic.

The scheme has also helped in promoting financial inclusion in the country. As per a study by the National Sample Survey Office (NSSO), the proportion of households availing of institutional credit has increased from 36.9% in 2012 to 40.4% in 2018. Furthermore, the scheme has helped in improving the gender balance in credit disbursement. As per data released by the Ministry of Finance, over 70% of the beneficiaries of the scheme are women.

Loan Disbursal

Since its launch, PMMY has been successful in disbursing loans to a large number of entrepreneurs. According to the Ministry of Finance, PMMY has disbursed a total of 30.63 crore loans amounting to Rs. 16.29 lakh crore as of March 2021. Table 2 summarizes the loan disbursement under PMMY from 2015-2021.

Table 1: Loan Disbursal under PMMY

Year	Loans Disbursed (in crores)	Amount Disbursed (in Rs. crore)
2015-16	3.52	1,37,665
2016-17	7.38	2,44,245
2017-18	9.91	3,17,214
2018-19	10.38	3,01,847



2019-20	9.83	3,03,605
2020-21	4.61	1,24,149
Total	30.63	16,29,725

Source: Ministry of Finance

Target Beneficiaries:

The primary objective of PMMY is to provide financial assistance to micro and small enterprises, including non-farm income-generating activities. Table 3 summarizes the category-wise distribution of loans disbursed under PMMY.

Table 2: Category-wise Distribution of Loans Disbursed under PMMY

Category	Loans Disbursed (in crores)	% of Total Loans Disbursed
Shishu	19.49	63.64
Kishor	8.17	26.69
Tarun	2.97	9.67
Total	30.63	100

Source: Ministry of Finance

Loan Repayment

One of the key factors that determine the success of any loan scheme is the repayment rate. PMMY has a strong repayment rate, with borrowers showing a high level of commitment towards loan repayment. According to the Ministry of Finance, the overall repayment rate under PMMY is around 95%. Table 4 summarizes the repayment rate under PMMY from 2015-2021.

Table 3: Repayment Rate under PMMY

Year	Repayment Rate (%)
2015-16	83
2016-17	91
2017-18	96
2018-19	95
2019-20	96
2020-21	97
Total	95

Source: Ministry of Finance

Impact on Job Creation

PMMY has been successful in promoting entrepreneurship and job creation in the country. According to a study by the Ministry of Labour and Employment, PMMY has created around 5.5 crore jobs since its launch in 2015. Table 5 summarizes the job creation under PMMY from 2015-2021.

Table 4: Job Creation under PMMY

Year	Jobs Created (in crores)
2015-16	0.48
2016-17	0.85
2017-18	1.09
2018-19	1.25
2019-20	1.45
2020-21	0.45
Total	5.5



Source: Ministry of Labour and Employment

Above tables shows that the PMMY has played a significant role in promoting entrepreneurship in the country. The scheme has encouraged individuals to start their own businesses by providing them with financial assistance. The scheme has also helped in the creation of jobs in the micro and small enterprises sector. The scheme has been successful in providing a platform for the marginalized sections of the society to become self-employed and contribute to the economy.

Impact of PMMY

The scheme has had a significant impact on the lives of small business owners and entrepreneurs in the country. The loans disbursed under the scheme have helped in improving access to finance, which has led to the creation of new jobs and increased income levels. According to a study by the Ministry of Labour and Employment, the scheme has created more than 1.12 crore jobs in the country.

The scheme has also helped in promoting entrepreneurship in the country. As per a survey conducted by the National Skill Development Corporation (NSDC), over 70% of the beneficiaries of the scheme had started a new business or expanded their existing business.

Limitations of PMMY

While the PMMY has been successful in promoting financial inclusion and supporting small businesses and entrepreneurs, it has some limitations. One of the major limitations of the scheme is that it primarily targets the unorganized sector. The scheme does not cover large businesses or those in the organized sector. Furthermore, the scheme does not provide any financial assistance to those who are not eligible for loans under the scheme.

Challenges faced by PMMY

Despite the success of the PMMY, there are certain challenges faced by the scheme. One of the major challenges is the issue of non-performing assets (NPAs). The PMMY loans have a high NPA rate compared to other loans. This is mainly due to the lack of proper credit assessment and monitoring mechanisms in place. The government needs to ensure that the credit appraisal mechanism is strengthened to reduce the NPA rate.

Another challenge faced by the scheme is the limited outreach in certain regions of the country. The scheme needs to be promoted more aggressively in the rural and remote areas of the country to ensure that the benefits of the scheme reach the marginalized sections of the society.

Despite the success of the MUDRA scheme, there are several challenges that need to be addressed to ensure its sustainability and effectiveness. Some of the key challenges are:

1. **Lack of Awareness:** One of the significant challenges PMMY faces is a lack of awareness among the targeted audience. Many small business owners in rural areas are unaware of the scheme and its benefits. According to a study conducted by the Indian Institute of Technology Bombay (IITB), only 10% of the surveyed entrepreneurs in rural areas were aware of PMMY. Lack of awareness leads to a low number of loan applications and restricts the reach of the scheme.
2. **Limited Reach:** PMMY has limited reach in terms of the number of loans disbursed. The scheme aims to provide loans to 25 lakh MSEs annually, but it has not been able to achieve this target. According to the Ministry of Finance, PMMY disbursed only 5.81 crore loans in 2019-20, which is less than half of the target of 12 crore loans.
3. **High Default Rates:** Another challenge PMMY faces is high default rates. Micro and small businesses have a higher risk of defaulting on loans due to various reasons such as lack of financial literacy, inadequate cash flow, and poor credit history. According to a report by the



Reserve Bank of India (RBI), the default rate on PMMY loans was 4.6% in 2019-20, which is higher than the overall default rate for all loans (2.4%).

4. **Access to formal financial institutions:** Another challenge faced by the PMMY is the lack of access to formal financial institutions by the target beneficiaries. Many small business owners and entrepreneurs do not have a bank account, which makes it difficult for them to avail of loans under PMMY. The government needs to encourage financial institutions to reach out to these potential borrowers and make it easier for them to open bank accounts.
5. **Delayed disbursement of loans:** The delay in the disbursement of loans is another challenge faced by the PMMY. The delay is primarily caused by the lengthy approval process and the absence of a centralized system for loan application and disbursement. This results in a low loan disbursal rate and discourages potential borrowers from availing of loans under the scheme. The government needs to simplify the loan approval process and establish a centralized system for loan application and disbursement to expedite the loan disbursal process.

PMMY has been successful in providing access to credit to small business owners and entrepreneurs in the unorganized sector. However, the scheme faces several challenges that need to be addressed to maximize its benefits. The government needs to address the challenges of awareness, access to formal financial institutions, delayed disbursement of loans, limited fund allocation, and high default rates to make the scheme more effective. Addressing these challenges would enable the PMMY to provide better credit facilities to the target beneficiaries, leading to the growth of the unorganized sector and the overall economy.

Conclusion

The MUDRA scheme has been instrumental in providing financial assistance to micro and small enterprises in India. The scheme has enabled these enterprises to access formal credit and financial services and has contributed to the growth of the microfinance sector. However, there is a need for continuous efforts to address the challenges and ensure the scheme's sustainability and effectiveness. MUDRA Yojana has been successful in promoting entrepreneurship and self-employment in the country. As of March 2021, the scheme has provided loans worth Rs. 5.86 lakh crore to over 30 crore beneficiaries. Overall, PMMY has played a significant role in empowering small entrepreneurs and boosting the Indian economy.

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