

REINVENTING FINANCIAL INCLUSIVENESS IN THE DIGITAL ERA: AN INVESTIGATION INTO MUDRA YOJNA

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Abstract

The tangible impact is seen regarding financing access to micro-enterprises sector in India through last-mile financiers viz- banks, regional rural banks, microfinance institutions, and non-banking financial companies in terms of extending credit to micro-enterprises. The study assessed the overall impact of MUDRA yojana and analyzed the disbursements made to MUDRA Udeemy's revealing that cumulative disbursements under PMMY during five years since 2015 stood at 12.30 lakh crore benefitting 24.48 crore loan accounts. Out of this, 68% of the loan accounts were sanctioned to women beneficiaries and 51% to social categories. During FY 2019-20, the total sanctions under PMMY have grown to Rs.3.37 lakh crore, exceeding the target set at Rs.3.25 lakh crore and benefiting 6.22 crore beneficiaries. 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

The Vision of MUDRA is to be an integrated financial and support services provider par excellence benchmarked with global best practices and standards for the bottom of the pyramid universe for their comprehensive economic and social development. It is commendable that the Government has focused on improving the growth potential/ trend growth rate through reforms instead of settling for a short- term cyclical push using monetary and fiscal policies. Among others, it has initiated reforms such as the Ujwal Discom Assurance Yojana (UDAY) in the power sector [2] – [6], fast-tracked recapitalization of banks, implemented the Insolvency and Bankruptcy Code (IBC) and Goods and Services Tax (GST), and focused on improving formalization and inclusiveness through its digitalization drive. Micro Units Developments and Refinance Agency (MUDRA) is a scheme which was launched by the Indian Prime Minister on 8 April 2015 for promoting the small-medium Enterprises by providing fund facilities at the micro-level [7] [8].

MUDRA is formed as a wholly owned subsidiary of the Small Industrial Development Bank of India (SIDBI). Pradhan Mantri Mudra Yojana (PMMY) is open and available from all bank branches across the country. 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". There are close to 51 million MSME units in the country which employ about 117 million people across various sectors, constituting 40% of the workforce [9]. The MSME share to the total non-agricultural Gross Domestic Product (GDP) is about 37% and they also contribute to 43% of exports. The MSME sector remains significantly under-penetrated on the

organized lending front. As per MSME Pulse report published by Trans-union CIBIL and SIDBI, 2018 out of the 51 million MSME units, only 5 million units have access to formal credit [10] [11].

In India, despite having a vast banking network, there are many micro-units that are outside the formal banking sector. The status reveals that from three years of Pradhan Mantri Mudra Yojana - Funding the unfunded to NSSO Survey, 2013 there are 5.77 crores small business/ micro-units, mostly individual proprietorship or "Own Account Enterprises" (OAE), and majority-owned by people belonging to Scheduled Caste, Scheduled Tribe or Other Backward Classes (OBCs). Out of these, only less than 5% have access to formal credit institutions and the rest need to rely upon informal sources for funding their business (friends, relatives, or money lenders). The purpose of the launch of PMMY was to bring these segments under the formal credit channel, as part of the financial inclusion process.

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.

2. REVIEW OF LITERATURE

Mahajan [12] 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 [13] 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.

Gupta [14] in his study performed an in-depth analysis of MUDRA bank as an initiative to financial inclusion to uplift the

Small and Medium Enterprises. The progressive performance of MUDRA bank has been assessed for the state of Haryana and reported that small business units contribute to the economic progress by providing employment to the large part of the population thus contributing significantly to India's GDP. The authors further concluded that MUDRA had benefitted each section of society under its plans.

Agarwal and Dwivedi [15] conducted a study to know the impact of Pradhan Mantri Mudra Yojana (PMMY) on financial inclusion and assessed its current progress and performance in the state of Rajasthan. Authors concluded that PMMY has brought a bigger change in the area of microfinance. Appreciating the scheme, authors asserted that it would promote competition to give credit support to the weaker section, low-income group, and the unfunded population. Authors further asserted that this initiative of financial inclusion will increase the opportunities for credit requirement and refinance and that the scheme is sure to take our nation forward towards bright future and make India a more sustainable developed country.

Godha and Nama [16] analyzed the government initiative of MUDRA in terms of salient features of PMMY, MUDRA bank, MUDRA product offerings, MUDRA roles and responsibilities, financial inclusion, and PMMY, progress made under PMMY and state-wise PMMY report. The author's concluded that there is a bigger change in the area of microfinance as the scheme is expected to promote competition and gives credit support to the weaker section, low-income group, and unfunded population. The author's appreciated the pace of financial inclusiveness as PMMY increases the opportunities for credit requirements and refinance.

Rudrawar and Uttarwar [17] 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.

Shahid and Irshad [18] attempted to know about the genesis of MUDRA Yojana and its objectives. The author's used secondary data to analyze the product offerings and performance of the scheme in the state of Karnataka. The study concluded that MUDRA creates a vision of formalizing the informal and thereby funding the unfunded. The role of MUDRA as an apex refiner has been appreciated and aims to fill a yawning gap in India's microfinance space. The authors also asserted that there is a bigger change in the area of micro-finance and the scheme will boost the first-generation entrepreneurs, weaker section, low-income group, and the unfunded population.

Venkatachalam and Simon [19] conducted a study on microfinance and access of credit to rural and poor people as small entrepreneurs who are often cut off from the banking system because of limited branch presence, "Last Mile Financiers" of small/micro businesses. Appreciating the MUDRA, authors asserted that bank has to take the initiative to reach out to new innovators, counsel them and wherever

possible, connect them with their other clients, to help develop their market as MUDRA's main role is to create a relationship between creative people and successful clients which could be a game-changing institutional innovation.

Verma [20] 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.

The author [11] has displayed that financial inclusion has contributed to the socio-economic progress in India in the last few years with many new innovations like mobile banking, ultra-small branches, etc., but still, it is in its infancy stage. Therefore, the scheme has been of great importance in the process of financial inclusion.

3. RESEARCH METHODOLOGY

The study has used secondary data to achieve the objectives. The primary objective of the study is to assess the overall impact of MUDRA yojana. Further, the study also evaluated the overall performance of MUDRA across states, regions, banks, and categories. The study has used secondary data available on www.mudra.org through annual reports.

4. DISCUSSION

Performance analysis of PMMY during FY 2019-20 on the basis of agency wise achievement, state wise performance and on the basis of loan category.

4.1 AGENCY-WISE ACHIEVEMENT

A glance at Table.1 reveals the performance of PMMY on the basis of agency wise achievement. The target set for FY 2019-20 was at 3.25 lakh crore which was distributed among banks, MFIs and NBFCs. The data indicates the overall growth of 5% over previous year performance. The private sector banks (including Foreign Banks) emerged as the major contributor to PMMY with a sanction amount of 91,780 crores against the target of 70,025 crores for 2019-20. It has shown 43% growth over FY 2018-19.

The performance of public sector banks is appreciated as they sanctioned 1,17,729 crores against the target amount of 1,28,000 crores. Also, the category recorded 7% growth over the sanctioned amount in FY 2018-19. Small finance banks sanctioned 29,501 crores against the target amount of 29,350 crores. The bank category recorded -1% growth over FY 2018-19. Following small finance banks, micro finance institutions distributed funds of 57,967 crores against the target of 57,425 crores. The category showed -9% growths in comparison to FY 2018-19. Further, non-banking finance companies sanctioned 40,518 crores as against the target of 40,200 crores documenting -14% growths in comparison to sanctions in FY 2018-19. Hence, it is concluded that private sector banks (including Foreign Banks) performed very well regarding sanctioning the funds to micro entrepreneurs in 2019-20.

Table.1. Agency-Wise Achievement (Amount in Crores)

Agency	Target (2019-20)	Sanction Amount (2019-20)	Sanction Amount (2018-19)	Growth (%)
Public Sector Banks (including Regional Rural Banks)	1,28,000	1,17,729 (92%)	1,17,282	7
Private Sector Banks (including Foreign Banks)	70,025	91,780 (132%)	64,037	43
Small Finance Banks	29,350	29,501 (101%)	29,794	-1
Micro Finance Institutions	57,425	57,967 (101%)	63,471	-9
Non-Banking Finance Companies	40,200	40,518 (101%)	47,137	-14
Total	3,25,000	3,37,495 (104%)	3,21,721	5

Source: www.mudra.org

Table.2. Performance of Top 10 States (Amount in Crores)

Rank	Name of the State	Sanction Amount (2019-20)	Sanction Amount (2018-19)	Growth (%)
1	Tamil Nadu	35,017	34,260	2
2	Uttar Pradesh	30,949	26,191	18
3	Karnataka	30,188	29,995	1
4	Maharashtra	27,903	26,439	6
5	Bihar	27,442	24,406	12
6	West Bengal	26,790	26,462	1
7	Rajasthan	19,662	17,506	12
8	Madhya Pradesh	19,060	17,408	9
9	Odisha	15,419	15,770	-2
10	Gujarat	13,746	13,217	4
	Total	2,46,176	2,31,654	7

Source: www.mudra.org

Table.3. Loan Category Analysis (Amount in Crores)

Category	FY 2019-20		FY 2018-19		Percentage Change (Sanction Amount)
	Number of Loan Accounts	Sanction Amount	Number of Loan Accounts	Sanction Amount	
Shishu	5,44,90,617 (88%)	1,63,559 (48%)	5,15,07,438 (86%)	1,42,345 (44%)	15
Kishor	64,71,873 (10%)	95,578 (28%)	66,06,009 (11%)	1,04,387 (32%)	8
Tarun	12,85,116 (2%)	78,358 (24%)	17,56,871 (3%)	74,991 (23%)	4
Total	6,22,47,606	3,37,495	5,98,70,318	3,21,723	27

Source: www.mudra.org

4.2 PERFORMANCE OF TOP 10 STATES

The state wise performance regarding PMMY is presented in the section. The targets were also distributed state-wise by the banks on the basis of their network and potential to lend. The performance at state level was monitored by SLBC i.e., State Level Bankers Committee. The Table.2 exhibits the performance of top ten states on the basis of amount sanctioned under MUDRA. Tamil Nadu topped the list and sanctioned 35,017 crores. Also, the state documented 2% increase over the sanctioned amount in FY 2018-19. The second position achiever, Uttar Pradesh sanctioned 30,949 crores. In comparison to 2018-19, the state showed growth of 18 percent. The third position was bagged by Karnataka which was able to disburse 30,188 crores

with growth rate of 1% over last year. Maharashtra stood fourth in the list distributing 27,903 crores to the beneficiaries with growth of 6% in comparison to 2018-19 followed by Bihar that sanctioned 27,442 crores. The state documented increase of 12% over last year. On the basis of sanctioned amount, West Bengal bagged sixth position disbursing 26,790 crores achieving growth rate of 1% over previous year. Following West Bengal, Rajasthan disbursed 19,662 crores to entrepreneurs' crores achieving 12% growth over previous year securing seventh position. Madhya Pradesh and Odisha stood at eighth and ninth position sanctioning 19,060 crores and 15,419 crores respectively. The states also showed growth of 9% and -2% respectively over previous year. The state of Gujarat was also able to secure a position in the list with 13,746 crores of sanctioned amount achieving growth of 4% over last financial year. The highest growth achievers were Uttar

Pradesh, Bihar and Rajasthan that aggressively contributed to the objective of financial inclusiveness. Since, Tamil Nadu and Uttar Pradesh were top two states in the list; it may be concluded that the innovation index of these two states is relatively high.

4.3 LOAN CATEGORY ANALYSIS

MUDRA loans are extended in three categories based on the size of the loans. They are Shishu (up to 50,000), Kishore (above 50,000 and up to 5 lakh) and Tarun (Above 5 lakh and upto 10 lakh). The Table.3 exhibits category of loan, no. of loan accounts, sanction amount for 2019-20, 2018-19 and percentage change over the last year based on loan category. A glance at table reveals that under Shishu scheme 5,44,90,617 number of loan accounts were beneficiaries amounting to 1,63,559 crores and sanction amount documented increase of 15% over previous financial year 2018-19. Following Shishu scheme, under Kishor the number of loan accounts opened were 64,71,873 totaling sanction amounts of 95,578 crores for FY 2019-20 documenting growth of 8% over previous year whereas Tarun scheme was able to fetch 12,85,116 number of loan accounts disbursing 78,358 crores of amount to entrepreneurs to be used for business expansion showing increase of 4% over 2018-19. It can be concluded that highest number of loan accounts i.e., 88% as well as sanctioned amount falls under Shishu scheme. It may be inferred that lot of first-generation entrepreneurs availed the benefit of MUDRA Yojana as 48% of the total amount is sanctioned under Shishu scheme. Hence, the scheme achieved the motive of inclusive growth.

5. FINDINGS

- Total disbursements during 2019-20 were 3,37,495 crores resulting into growth rate of 5% over the previous financial year i.e., 2018-19.
- Tamil Nadu was ranked one with 35,017 crores sanction amount followed by Uttar Pradesh and further followed by Karnataka implying the strength of business acumen amongst the people of these states.
- As far as loan categories are concerned, maximum number of loan accounts were opened under Shishu Loan category i.e., 88% with sanctions resulting into 1,63,559 crores (48%) showing that people started small businesses with amount of upto 50,000 limit. It also reveals that the risk-taking propensity of the PMMY seekers is relatively low.

6. 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, the micro enterprises suffer and face the problem of funds for starting new businesses and their sustainability and growth. Micro Units Development and Refinance Agency (MUDRA) has been a great initiative by Government of India in year 2015 for uplifting the Micro and small Enterprises with the aim "funding the unfunded". MUDRA has proved as a new financial stream for Micro business units for their requirement of up to Rs.10 Lakhs. The overall performance of MUDRA for 2019-2020 reveals that it has benefitted each and every section of society showing a positive impact in uplifting the Micro, Small

and Medium Enterprises. An inclusive, sustainable, and value-based entrepreneurial culture in collaboration with partner institutions is promoted through MUDRA initiative in achieving economic success and financial security. An immense opportunity has been presented by MUDRA to change the lives of people all over the country, and it will result in creating a platform that will truly transform the financial inclusion paradigm for our nation.

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