

A STUDY ON ROLES AND RESPONSIBILITY OF THE MUDRA YOJANA AND ITS IMPACT ASSESSMENT

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ABSTRACT: Pradhan Mantri Mudra Yojana, under the Micro Units Development and Refinance Agency(MUDRA) Bank, is a new institution being set up by Government of India for development and refinancing activities relating to micro units. It was announced by the Finance Minister while presenting the Union Budget for FY 2015-2016. The purpose of MUDRA is to provide funding to the non-corporate small business sector. Loans worth about Rs 1 lakh crore have been sanctioned to small entrepreneurs under the Pradhan Mantri MUDRA Yojana, Prime Minister Narendra Modi said that the government wants youth to be job creators and not job seekers. Under the scheme, Pradhan Mantri Mudra Yojana three categories of interventions has been named which includes.Prime Minister Modi, in a recent interview, indicated that his focus was to create a third sector—the personal sector—other than farms and factories wherein a person turns into a job provider through entrepreneurship rather than a job-seeker in the other two sectors. This statement assumes significance as it has many policy implications for the next few years.The government should measure the success or failure of its interventions including Mudra Yojana by the extent of reduction in informal employment, the rise in formal employment and the extent of mobility of firms to medium and large sizes.

Keywords: MSME (Micro Small Medium Enterprise), NABARD, NFBC, SME, OAE (Own Account Enterprise).

I. INTRODUCTION

Micro Units Development & Refinance Agency Limited (MUDRA) and Pradhan Mantri MUDRA Yojana (PMMY) was launched on 08 April 2015 by the Hon'ble Prime Minister, Shri Narendra Modi. The guidelines of PMMY issued by Department of Financial Services (DFS), GOI indicated that all banks are required to lend to micro enterprises engaged in manufacturing, processing, trading and service sector activities, for a loan up to ` 10 lakh. Further, it was also advised that the loan may be given in three categories, i.e. Loan up to ` 50,000 under Shishu; ` 50,000 to ` 5 lakh under Kishor; and ` 5 lakh to ` 10 lakh under Tarun. Also, it was envisaged that more focus will have to be given for the Shishu category. A target of ` 1,22,188 crore was set for F.Y. 2015-16.

It was decided that MUDRA will monitor the progress of PMMY. The National Bank for Agriculture & Rural Development (NABARD) was also advised to closely monitor the progress of RRBs, as RRBs are under supervisory domain of NABARD.

In order to make the monitoring more effective, a dedicated portal www.mudra.org. was put in place to capture the data on the performance under PMMY on a weekly basis to have consolidated data of nationwide dis-aggregated retail transactions details, including data on new entrepreneurs, women entrepreneurs, SC/ST, Minority, MUDRA card etc. The data so collected was analyzed and reported to GOI. The progress was closely followed up with the banks for improvement if any. A team of officers at 'Mission Mudra' was constituted and placed with DFS for an overall supervision and follow up of the programme on behalf of GOI.

Subsequently, it was also decided that the MUDRA loans are given by MFIs also needs to be captured as most of the MFIs are MUDRA partners. Accordingly, MFIs was given the responsibility for following up with the NBFC- MFI and getting their data on the portal. Similarly, Sa-Dhan was made responsible for collecting the data and on-boarding the same for the non-NBFC MFIs.

In order to give a boost to the lending under PMMY, especially for Shishu category loans, a credit campaign was carried out from 1st September 2015 to 2nd October 2015. The campaign culminated in mega credit camps in different locations in the country from 25th September 2015 to 02nd October 2015. In order to enhance the awareness of the programme, MUDRA carried out a month-long publicity campaign, on behalf of DFS, through print media and Radio. The credit campaign resulted in lending to 22.50 lakh borrowers as against a target of 25 lakh borrowers and lent 4120 crores.

There are three types of loans under PMMY:

1. Shishu (up to Rs.50,000).
2. Kishore (from Rs.50,001 to Rs.5 lakh).
3. Tarun (from Rs.500,001 to Rs.10,00,000)

II. OBJECTIVES OF THE STUDY

- ❖ To understand the scheme Pradhan Mantri Mudra Yojana
- ❖ To know the functions and responsibility of the PMMY
- ❖ To analyse the impact of Pradhan Mantri Mudra Yojana

III. RESEARCH METHODOLOGY

The study is based on secondary data. The data is collected from various sources newspapers, magazines and websites. Data was collected from its inception till 31.08.2018. For presentation, the table is used and for analysis percentage method used.

IV. IMPORTANCE OF THE STUDY

- ❖ It will greatly increase the confidence of young, educated or skilled workers who would now be able to aspire to become first generation entrepreneurs.
- ❖ Existing small businesses, too, will be able to expand their activities.
- ❖ Under the scheme, by floating MUDRA bank, the Centre has ensured credit flow to SMEs sector and has also identified NBFCs as a good fit to reach out to them.
- ❖ People will now be able to get refinanced at subsidised rate and it would be passed on to the SMEs. Moreover, it would enable SMEs to expand their activities.

V. THE ROLE & RESPONSIBILITY OF PMMY:

The Genesis of MUDRA

The Union Budget presented by the Hon'ble Finance Minister Shri Arun Jaitley, for FY 2015-16, announced the formation of MUDRA Bank. Accordingly MUDRA was registered as a Company in March 2015 under the Companies Act 2013 and as a Non Banking Finance Institution with the RBI on 07 April 2015. MUDRA was launched by the Hon'ble Prime Minister Shri Narendra Modi on 08 April 2015 at a function held at Vigyan Bhawan, New Delhi.

Micro Enterprises

Micro enterprises constitute a major economic segment in our country and provides large employment after agriculture. This segment include micro units engaged in manufacturing, processing, trading and services sector. It provides employment to nearly 10 crore people. Many of these units are proprietary/ single ownership or Own Account enterprises and many a time referred as Non Corporate Small Business sector.

The Non-Corporate Small Business Sector

Non-Corporate Small Business Sector (NCSBS) is the economic foundation of India. It is perhaps one of the largest dis-aggregated business ecosystems in the world sustaining around 50 crore lives.

The sector comprises of the myriad of small manufacturing units, shopkeepers, fruits, vegetable vendors, truck & taxi operators, food-service units, repair shops, machine operators, small industries, artisans, food processors, street vendors and many others.

Formal or institutional architecture has not been able to reach out to them to meet the financial requirements of this sector. They are largely self financed or rely on personal networks or moneylenders. Addressing this need will give a big boost to the economy otherwise this segment would remain unfunded and a portion of the productive labour force would remain unemployed.

Small business is big business. According to NSSO Survey (2013), there are 5.77 crore small business units, mostly individual proprietorship. Most of these 'own account enterprises' (OAE) are owned by people belonging to Scheduled Caste, Scheduled Tribe or Other Backward Classes. They get very little credit, and that too mostly from non formal lenders, or friends and relatives. Providing access to institutional finance to such micro/small business units would turn them into strong instruments of GDP growth and also employment.

Broad composition of Microenterprise sector

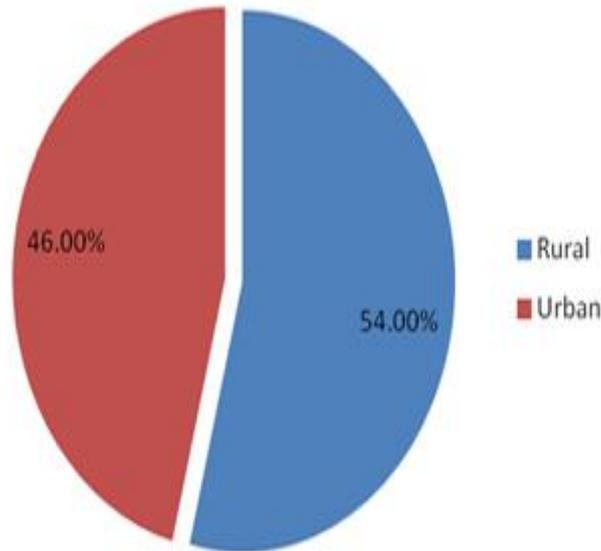


Figure : Composition of 5.7 crore Own Account Enterprises

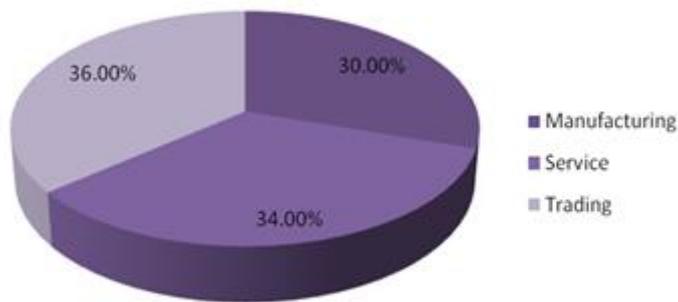


Figure: Composition of 5.7 crore Own Account Enterprises

The Non Corporate Small Business Sector (NCSBS) accounts for a large share of industrial units. They feed large local and international value chains as well as domestic consumer markets as suppliers, manufacturers, contractors, distributors, retailers and service providers. The gross value addition of this sector is 6.28 lakh crore annually.

Mainstreaming these enterprises will not only help in improving the quality of life of these entrepreneurs but will also contribute substantially to job creation in the economy thereby achieving higher GDP growth.

The Micro Constraints

The major constraints faced by the myriad of the micro enterprises along the length and breadth of the country include:

- Access to Finance
- Infrastructure Gaps
- Lack of growth orientation
- Skill Development Gaps
- Policy Advocacy Needs
- Lack of Market Development / Market Making
- Knowledge Gaps

- Information Asymmetry
- Entry Level Technologies

The biggest bottleneck to the growth of entrepreneurship in the NCSBS is lack of financial support to this sector. The support from the Banks to this sector is meagre, with less than 15% of bank credit going to Micro, Small and Medium Enterprises (MSMEs).

A vast part of the non-corporate sector operates as unregistered enterprises. They do not maintain proper Books of Accounts and are not formally covered under taxation areas. Therefore, the banks find it difficult to lend to them. Majority of this sector does not access outside sources of finance.

Responsibilities of MUDRA

MUDRA has been formed with the primary objective of developing the microenterprise sector in the country by extending various support including financial support in the form of refinancing, so as to achieve the goal of funding the underfunded. The GOI Press release of 2 March 2015 has laid down the roles and responsibilities of MUDRA.

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.

Monitoring of PMMY

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. Accordingly, MUDRA has put in place a monitoring portal which captures the data on lending under PMMY, in a granular fashion.

VI. IMPACT ASSESSMENT

Scheme completes 3 years with disbursal's of over ₹6-lakh crore

Pradhan Mantri Mudra Yojana (PMMY), which has completed three years with a cumulative disbursal of about ₹6-lakh crore in loans to small businesses so far, is being reviewed.

The Micro Units Development & Refinance Agency Ltd (MUDRA), an apex body for the scheme, is commissioning a massive field-based longitudinal impact assessment by an independent agency.

Past three years loan sanctioned and Disbursement:

Financial Year	2017-2018	2016-2017	2015-2016
No. Of PMMY Loans Sanctioned	48130593	39701047	34880924
Amount Sanctioned (Cr)	253677.1	180528.54	137449.27
Amount Disbursed (Cr)	246437.4	175312.13	132954.73

Source: PMMY

Impact assessment

“The purpose is to check if there is any income growth for micro-entrepreneurs, especially women and those from disadvantaged sections, from the scheme,” a senior official of MUDRA told Business Line.

In the current financial year, MUDRA disbursed ₹70,765 crore in loans so far, out of the ₹75,954 crore sanctioned as on August 24. The disbursal amount for 2017-18 was ₹2,46,437 crore while in previous two years it was ₹1,75,312 crore and ₹1,32,954 crore respectively. The total number of loan accounts are over 13 crore.

“We are trying to document the impact of PMMY during the last three years at the end user level as objectively as possible,” the official said. Launched in April 2015, Mudra offers three categories of loans: Shishu (up to ₹50,000), Kishor (₹50,000-5 lakh), and Tarun (₹5-10 lakh).

In the last three years, banks accounted for nearly 40 per cent of the total disbursal's under the scheme and were instrumental in achieving the target. MUDRA is now looking at understanding the role of alternative channels such as microfinance institutions (MFIs) and other intermediary organizations in reaching out to end-users by leveraging additional funds.

An attempt is also being made to look into the social profile of the client to see if there is any change in their social standing and educational background under the three categories of loans.

Changes in offering

The scheme is likely to undergo some structural changes, going forward. “There has been a demand from some sections that a provision for upgradation of loans should be included in the scheme.

“I have utilized a Mudra loan under Kishore category and have been successfully running a paper-making unit. I need more working capital which needs upgradation of my loan,” M Yadagiri, an entrepreneur here, said.

It remains to be seen if the assessment to be carried on the impact of the loans will lead to any structural changes in the scheme. The process is expected to be completed in next six months.

VII. CONCLUSION

The small businesses form the foundation of the economic development needs to be strengthened and supported. A large number of scheme have been taken in the past three years (2015-2018) are a step in the right direction. MUDRA Yojana is the most recent scheme to boost up the small and micro business units in India. This scheme has been taken to focus exclusively on entrepreneurs. This type of scheme will add to the well-being of the individuals

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