

Performance of Pradhan Mantri Mudra Yojana and its Role Towards New Entrepreneurship/Start-Ups

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Abstract - Pradhan Mantri Mudra Yojna was introduced by GOI on 8 April 2015, with the view to provide the loans to the unbanked people especially small business owners to make them self-reliant & self-dependent. The basic objective of this scheme is to provide loans to small businessmen as they require micro finance. The yojna plays a significant role in promoting new entrepreneurs/start-up and self-employment for the young talented and skilled population in the country. This paper analyse the performance of Pradhan Mantri Mudra Yojna implemented by GOI and to study the role of PMMY in promoting start-ups or new entrepreneurship. The results show a positive growth in performance as the number of beneficiaries and amount of loans sanctioned under PMMY is increasing every year. The major share of PMMY is channelized for the promotion of new entrepreneurs/start-ups in the country. There is still a need to increase the number of new beneficiaries under the PMMY scheme as the number of new entrepreneurs is decreasing as compared to previous year.

Keywords: PMMY, MUDRA, Entrepreneur, Start-up.

I. INTRODUCTION

Pradhan Mantri Mudra Yojna was introduced by honorable Prime Minister, Mr. Narendra Modi on 8 April 2015, with the view to provide the loans to the unbanked people especially small business owners to make them self-reliant & self-dependent. It comes up with the slogan **FUND THE UNFUNDED** means here the loans are provided to the neglected people of society. In this scheme, MUDRA means Micro Units Development & Refinance Agency. The basic objective of this scheme is to provide the loans to small businessmen as they require micro finance to meet their day to day expenses and to make necessary changes in their business so as to overall develop their business. This yojna provides the micro loans upto 10 lakhs, which would be repayable within 5 to 7 years, to small business owners. PMMY had collection of more than Rs 70,000 crores which was enough to create new jobs as well as to improve the existing business and its efficiency.

There are three stages under which the loans are provided to the small business owners, as discussed below:

1. Shishu Yojna :- under this stage those entrepreneurs are benefitted who require lesser amount to start their businesses as the maximum limit of loan is Rs.50 thousand.
2. Kishor Yojna:- this stage is beneficial for those entrepreneurs who are already engaged in some

kind of business and just require the money to increase that business or for those who require this much of money to start up their new business. And the limit is from Rs. 50000 to Rs. 5 lakhs

3. Tarun yojna:- under this scheme the maximum limit of loan is Rs. 10 lakhs and the entrepreneurs who have fulfilled all the necessary conditions of the scheme can get this much of money for their start-up of business.

The Pradhan Mantra Mudra Yojna targeted to provide loans to more than 58 million small entrepreneurs across the country. Around 120 million people are engaged in small enterprises and these people mostly come from less privileged or unprivileged areas of society. Most of the banks and financial institutions provide loans and their bank products to the secured businesses having the ability to pay higher interest rates. PMMY was introduced to change this scenario. This yojna was come up with the underlying feature of fulfilling the dreams of many young and fledging entrepreneurs by providing the adequate corpus and effective management of credit facility so as to reach their.

Mudra Loan cannot be taken for following:

1. Personal requirement
2. Educational purpose
3. Buying personal vehicle
4. Rich businessman

Mudra Bank was first set up as a subsidiary of the Small Industries Development Bank of India and later to be converted to a full-fledged bank through an Act of Parliament. It join hands with 19 state and regional level coordinators for reaching the small entrepreneurs who have limited branch presence and are cut off from the general banking system. It is expected that the small businesses will generate 10 times more number of jobs which are normally generated by the big business firms/companies at present.

Under this scheme Mudra loan cards are provided to the customers which could facilitates them in the following ways:

1. Withdraw cash from ATMs
2. Swipe the Cards at point of sale
3. Can be used as a credit card to avail the overdraft facility.

Now onwards, only few banks (viz., Corporation Bank, PNB, Allahabad Bank, Kotak Mahindra Bank, Canara Bank, Axis Bank SBI and Vijaya Bank,) are providing these Mudra Cards and it is expected that more and more banks will start providing these cards.

II. REVIEW OF LITERATURE

Roy A. K. (2016) highlights the importance and the role of MUDRA bank towards the small business units. The study found that, this scheme will contribute to the well-being of the individuals engaged in small scale industries which will positively contributes towards the progress of the economy as a whole. Mudra as a financial tool is found very effective in its initial stages across the country. The author has the opinion, this will surly make a dramatic change and will help in making a developed India.

Shahid M. & Irshad M. (2016) analysed the MUDRA Yojna and its key objectives. The authors have the opinion that bank like MUDRA will hugely benefit to small scale units and self-employed individuals in rural and urban areas. The measures of MUDRA will increase the confidence of young educated and skilled workers who were engaged both in new and existing small businesses. Just as banking the unbanked, MUDRA banks aim is funding the unfunded.

Agarwal M. & Dwivedi R. (2017) overviewed the performance of PMMY based on state, caste and category. The Study conclude that PMMY is a great initiative by GOI, due to at there is a big change in the area of micro finance. It will help the weaker section, low income and unfunded population and also will increase the competition. The authors suggested that there should be more concentration on the minority sector under the PMMY.

Rajeev & Dhirender (2017) studied the impact of MUDRA scheme on micro and small printing firms situated in semi urban area. The study reveals that Mudra Yojna has a great impact on micro and small printing firms. Majority of the

printers upgraded their machinery by purchasing high end model by obtaining funds through Mudra Yojna. Mudra Yojna also gave sense of financial security to printers by providing funds for their day to day need.

Objectives of the Study:

The main objectives of the study are:

1. To analyse the performance of Pradhan Mantri Mudra Yojna implemented by Government of India.
2. To study the role of Pradhan Mantri Mudra Yojna in promoting start-ups and new entrepreneurship.

III. RESEARCH METHODOLOGY

The study used the data and information from the secondary sources like: articles, government reports, reports of Mudra bank and various websites like website of Pradhan Mantri Mudra Yojna. The data from the financial year 2015-16 to 2017-18 has been taken to analyse total number of beneficiaries and total amount of loans sanctioned under PMMY. While to analyse the performance for categories and new entrepreneurs the period of two years i.e. 2015-16 and 2016-17 has been used, as the detailed data for FY 2017-18 is not available till now.

IV. ANALYSIS OF DATA AND INTERPRETATION

The tables below provide detailed analysis of data by using the number of accounts/beneficiaries, amount of loans and percentages. The table contains the data from financial year 2015-16 to 2017-18 for analysing the overall performance regarding number of accounts and amount of loans. For detailed analysis i.e. number of accounts and amount of loans under various schemes and for new entrepreneurs the period from 2015-16 to 2016-17 has been considered.

Table 1 - Number of beneficiaries and loans sanctioned under PMMY

| Year | No. of loan accounts (in lakh) | Percentage change | Amount Sanctioned (in crores) | Percentage change |
|---------|--------------------------------|-------------------|-------------------------------|-------------------|
| 2015-16 | 348.81 | - | 137449.27 | - |
| 2016-17 | 397.01 | 13.82% | 180528.54 | 31.34% |
| 2017-18 | 453.51 | 14.23% | 228144.72 | 26.38% |

Table 1 shows that number of loan accounts i.e. number of beneficiaries were increasing every year. Further the percentage of increasing the number of loan accounts is also increased i.e. in 2016-17 it is 13.82% and in 2017-18 it is 14.23%. On the other hand, the amount of loans sanctioned under the PMMY is also increasing every year, but the percentage of increasing is reduced during 2017-18.

Table 2 Category wise analysis of PMMY scheme (no. of accounts)

| Category | No. of loan accounts (in lakh) FY 2015-16 | No. of loan accounts (in lakh) FY 2016-17 | Percentage change |
|--------------|---|---|-------------------|
| Shishu | 324.01 | 364.98 | 12.65% |
| Kishor | 20.70 | 26.63 | 28.64% |
| Tarun | 4.10 | 5.40 | 31.70% |
| Total | 348.81 | 397.01 | 13.82% |

Table 2 disclose that the number of loan accounts has been increased from the financial year 2015-16 to 2016-17 under all the three schemes of PMMY. However, the percentage of increased is highest for Tarun loans i.e. 31.70% followed by Kishor loans. Overall the percentage of increase stood at 13.82% from all the schemes.

Table 3 Category wise analysis of PMMY scheme (Loan sanctioned)

| Category | Loan sanctioned (in crores) 2015-16 | Loan sanctioned (in crores) 2016-17 | Percentage change | Share 2015-16 | Share 2016-17 |
|--------------|-------------------------------------|-------------------------------------|-------------------|----------------|----------------|
| Shishu | 62,894.96 | 85,100.74 | 35.31% | 45.76% | 47.14% |
| Kishor | 43,052.55 | 53,545.14 | 24.37% | 31.32% | 29.66% |
| Tarun | 31,501.76 | 41,882.66 | 32.95% | 22.92% | 23.20% |
| Total | 1,37,449.27 | 1,80,528.54 | 31.34% | 100.00% | 100.00% |

Table 3 reveals that the amount of loans sanctioned in under Shishu, Kishor as well as Tarun loan schemes has been increased by a good percentage from the financial year 2015-16 to 2016-17. The increase in the amount of loans sanctioned is highest in the case of shishu loans i.e. 35.31%. The share of shishu loan scheme is also highest in both financial years and it is increased in the year 2016-17. The share of shishu and tarun scheme is increased in 2016-17 whereas the share of kishor is declined.

Table 4 Share of mudra loans to new entrepreneurs/Start-ups

| | FY 2015-16 | Share in total (2015-16) | FY 2016-17 | Share in total (2016-17) |
|---------------------------|------------|--------------------------|------------|--------------------------|
| No. of accounts (in Lakh) | 124.75 | 35.76% | 99.90 | 25.16% |
| Amount Sanctioned | 61,649.95 | 45.25% | 72,960.14 | 40% |

| | | | | |
|-------------|--|--|--|--|
| (in crores) | | | | |
|-------------|--|--|--|--|

Table 4 reveals that there were 124.75 new beneficiaries of PMMY in the financial year 2015-16, which were decreased to 99.90 lakh in 2016-17. The share of number of accounts of new entrepreneurs out of total number of accounts is also decreased from 35.76% to 25.16%. However the amount of loans sanctioned to new entrepreneurs in increased in 2016-17 but the share of sanctioned amount out of total amount is decreased by 5.25%.

V. FINDINGS

- The number of beneficiaries and amount of loans sanctioned under PMMY has been increased from the year 2015 to 2018. The number of beneficiaries has been increased at an increasing rate but the rate of increasing the loan amount is diminishing in each year.
- The shishu loan scheme has the major share in the number of accounts in PMMY. However there is highest percentage of increase in the number of accounts under tarun loan scheme. Overall number of accounts/beneficiaries was increased in all the three schemes.
- In case of amount of loans sanctioned also shishu loan scheme has the major share out of total loan amount and amount under this scheme has highest growth. The amount of loans sanctioned has been increased in all the schemes making a total increase of 31.34% from the year 2015 to 2017.
- The share of amount sanctioned towards new entrepreneurs is 45.25% in 2015-16 and 40% in 2016-17, indicates a good share to promote new entrepreneurs/start-ups in a country. It shows that PMMY is playing an important role in promotion start-up in country. The share of amount of new entrepreneurs is decreased but the amount is increased in 2016-17.

VI. CONCLUSION

The MUDRA Yojna plays a significant role in promoting micro finance and providing financial support to small and new entrepreneurs/start-ups. It provides loans to the unbanked people especially small business owners to make them self-reliant & self-dependent. The PMMY not only contributes towards the financing of new entrepreneurs/start-ups but also helps in scaling up the small business undertakings. The higher amount of loan provided under Kishor and Tarun Yojna may help existing undertakings to scale-up there business. The performance of PMMY will be seen positively as the numbers of beneficiaries and amount of loans sanctioned under all the schemes has been increased every year. The share of PMMY loans towards new entrepreneurs is more than one third implies it is especially contributing towards them.

However the number of new beneficiaries was decreased in second year so, the government have to take steps to improve the participation of new entrepreneurs in PMMY and should sanction more loans to new entrepreneurs.

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