

A STUDY OF PRADHAN MANTRI MUDRA YOJANA'S PROGRESS WITH SPECIAL REFERENCE TO MAHARASHTRA

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ABSTRACT

The cornerstone of India's economy is the Non-Corporate Small Business Sector (NCSBS). The majority of industrial units are in the non-corporate small business sector. The NCSBS are the cornerstones of a nation's economic expansion, but a sizable portion of the non-corporate sector runs as unregistered businesses. They are not legally subject to taxation and do not keep accurate books of accounts. It is therefore challenging for the banks to lend to them. The majority of this industry does not have access to outside funding sources. The banks provide very little assistance to this industry; less than 15% of bank credit is extended to MSMEs, or micro, small, and medium-sized enterprises. The focus of the scheme is to 'Fund the unfunded' This essay seeks to comprehend PMMY and its importance, Mudra Bank's products and schemes, the scheme's current state of development, and the advantages of PMMY in Maharashtra.

Keywords: NCSBS, GOI, Mudra Bank, MSMSs, PMMY, small business sector.

1. INTRODUCTION

The Pradhan Mantri MUDRA Yojana (PMMY) was launched on 8th April 2015 by Prime Minister Shri Narendra Modi with the aim to facilitate easy collateral-free micro credit of up to ₹10 lakh to non-corporate, non-farm small and micro entrepreneurs for income generating activities. The loans under PMMY are provided by Member Lending Institutions (MLIs), i.e., Banks, Non-Banking Financial Companies (NBFCs), Micro Finance Institutions (MFIs) and other financial intermediaries. Upon marking successful 8th anniversary of the PMMY, Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman said, "Brought under the visionary leadership of Prime Minister Shri Narendra Modi, the scheme has enabled easy and hassle-free access to credit to micro-enterprises and has helped a large number of young entrepreneurs establish their businesses. "In reference to the PMMY data, Smt. Sitharaman said, "Since the launch of the scheme, as of 24.03.2023, about ₹23.2 lakh crore has been sanctioned in 40.82 crore loan accounts. About 68% of accounts under the scheme belong to women entrepreneurs and 51% of accounts belong to entrepreneurs of SC/ST and OBC categories. This demonstrates that easy availability of credit to the budding entrepreneurs of the country has led to innovation and sustained increase in per capita income. "Highlighting indigenous growth through MSMEs, the Finance Minister said, "The growth of MSMEs has contributed massively to the "Make in India" programme as strong domestic MSMEs lead to increased indigenous production both for domestic markets as well as for exports. The PMMY scheme has helped in the generation of large-scale employment opportunities at the grassroots level and also has proved to be a game changer while boosting the Indian economy. "On the occasion, Union Minister of State (MoS) for Finance Dr Bhagwat Kisanrao Karad said, "The PMMY scheme aims to provide collateral free access to credit in a seamless manner to micro enterprises in the country. It has brought the unserved and under-served sections of the society within the framework of institutional credit. The government policy of promoting MUDRA has led millions of MSME enterprises in the formal economy and has helped them to get out of the clutches of money-lenders offering very high cost funds." As we celebrate the 8th anniversary of providing financial inclusion through the pillars of Pradhan Mantri MUDRA Yojana (PMMY), let us glance through some of the major features and achievements of the Scheme:

The implementation of financial inclusion programme in the country is based on three pillars, namely,

Banking the Unbanked, Securing the Unsecured and Funding the Unfunded

These aforesaid three objectives are being achieved through leveraging technology and adopting multi-stakeholders' collaborative approach, while serving the unserved and underserved as well. One of the three pillars of FI - Funding the Unfunded, is reflected in the Financial Inclusion ecosystem through PMMY, which is being implemented with the objective to provide access to credit for small entrepreneurs.

2. FEATURES

1. The loans are categorized into three groups based on the financial requirements and business maturity level. These categories include Shishu (loans up to ₹50,000), Kishore (loans above ₹50,000 and up to ₹5 lakh), and Tarun (loans above ₹5 lakh and up to ₹10 lakh).
2. PMMY loans cover both term loan and working capital needs for income-generating activities in manufacturing, trading, and service sectors, as well as allied agricultural activities like poultry, dairy, and beekeeping.

3. The interest rate is determined by lending institutions following RBI guidelines. For working capital facilities, interest is only charged on the amount held overnight by the borrower.

Pradhan Mantri Mudra Yojana Eligibility Criteria Here are some conditions to fulfil to have the Pradhan Mantri Mudra Yojana eligibility:

- The applicant has to be an Indian citizen and an entrepreneur who may be a proprietor or has a small partnership firm.
- The minimum age of the applicant has to be 18 years and the maximum age limit is 65 years.
- The requirement of loans must be for non-farm related business activities.
- The preferred segments of business are trading, manufacturing and services.



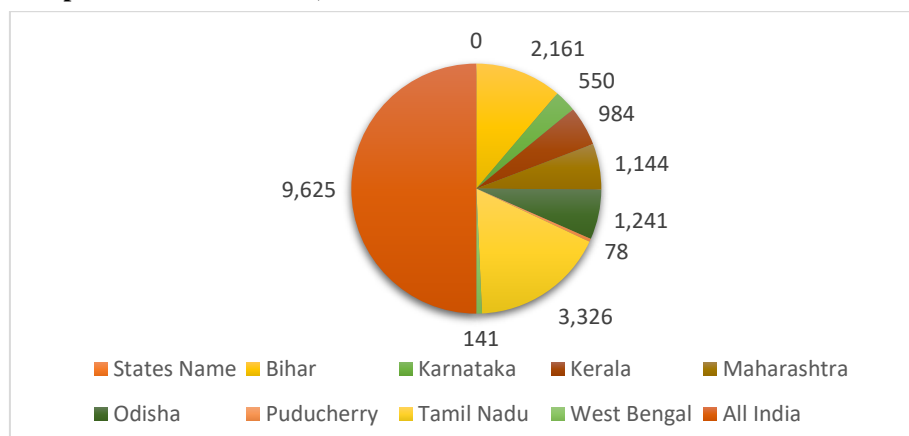
(Source: <https://www.insightsonindia.com/2020/06/25/pradhan-mantri-mudra-yojana/>)

Objectives of the Study: The objectives of the study are:

1. To understand the PMMY and its significance
 2. To Study the Products and Schemes offered by Mudra Bank
- To study the current progress under PMMY in Maharashtra

Sr.No.	States Name	No.of A/Cs	Sanction Amt.
1	Bihar	2,161	6.68
2	Karnataka	550	1.79
3	Kerala	984	2.98
4	Maharashtra	1,144	3.54
5	Odisha	1,241	3.87
6	Puducherry	78	0.21
7	Tamil Nadu	3,326	10.91
8	West Bengal	141	0.43
9	All India	9,625	30.41

(Source: Annual Report MUDRA 2021-22)



3. REVIEW OF LITERATURE

Raj Kumar identifies the role of innovative schemes offered by the banking sector in the upliftment of MSMEs in India. They found that Micro, Small and Medium Enterprises' (MSMEs) contribution in the development of world economy has been significant, both in terms of contribution to GDP and creation of employment opportunities. The researchers analysed the growth in Bank credit for the MSME sector over the last decade. The review showed that the Bank credit has increased significantly for the MSME sector since the priority sector lending norms were implemented but still there is a significant gap that needs to be fulfilled when it comes to the fulfilment of the credit needs of the MSME sector.

(Purnima Rao, 2017) in this exploratory study investigates the financing issues faced by Indian small and medium enterprise (SME) owners. It also classifies the financing constraints into four financing gaps, namely, demand, knowledge, supply and benevolence. The findings reveal the real-time issues being faced by SME owners. SMEs faced both demand- and supply-side constraints. The most common financing challenges are high cost of credit, complex procedures of lending institutions, information asymmetry, creditworthiness and self-abstaining from external financial resources. Issues pertaining to lack of knowledge and awareness about the financial products and services are also being noticed by the researchers.

(Dixit, 2017) found that lending to women-owned micro, small, and medium enterprises (MSMEs) is still unexplored when compared to lending to other MSMEs in India. Due to a lack of segmental focus and with a higher perception of risk, formal financial institutions have not made much effort to understand this segment. This study assesses the gap in demand and supply of finance to women owned SMEs, to focus on the opportunity in serving women entrepreneurs, and present initiatives taken by financial institutions in improving access in India. Above research paper review suggest that there has been gap in providing credit to micro enterprises. Also review measures the effectiveness of microenterprise loans on increasing entrepreneurs' incomes and innovation. It is found that microenterprise loans associated with proper business skills, information, and technologies be provided by MFIs with careful screening and monitoring to ensure the effective utilization of loan capital. Also lending to women-owned micro, small, and medium enterprises (MSMEs) is still unexplored when compared to lending to other MSMEs in India. (

Overview of Maharashtra State: Maharashtra, located in the western region of India, shares borders with several states including Gujarat, Madhya Pradesh, Chhattisgarh, Andhra Pradesh, Karnataka, Goa, and the Union Territory of Dadra and Nagar Haveli. In 2015-16, Maharashtra's gross state domestic product (GSDP) accounted for 12.98% of India's gross domestic product (GDP), making it the highest among all states. Over the period of 2004-05 to 2015-16, the GSDP grew at a compound annual growth rate (CAGR) of approximately 11.3% to reach US\$ 300.51 billion. Similarly, the net state domestic product (NSDP) grew at a CAGR of around 11.1% during the same period, reaching US\$ 263.6 billion. Mumbai, the capital city of Maharashtra, is not only the commercial capital of India but has also become a global financial hub, housing numerous global banking and financial service firms. Pune, another major city in the state, has emerged as an educational hub. Maharashtra has also established itself as a significant hub for IT, electronics, and captive business outsourcing industries. The state is a leading producer of sugarcane and cotton, with 50.1 million tons of sugarcane and 8.9 million bales of cotton produced in 2016-17. Additionally, Maharashtra contributes approximately 35.1% of the country's automobile output by value. The state boasts a well-developed social, physical, and industrial infrastructure, including four international and seven domestic airports, two major ports, 53 minor ports, and a reliable power supply grid. Over the past decade, Maharashtra's infrastructure sector has witnessed substantial growth, with an increase in the number of industrial clusters and public-private partnership (PPP) projects. According to the Department of Industrial Policy and Promotion (DIPP), the cumulative foreign direct investment (FDI) inflows in Maharashtra from April 2000 to June 2017 amounted to US\$ 104.42 billion. With its significant industrial output, Maharashtra contributes 13% to the national industrial output, while approximately 64.14% of the population is employed in agriculture and allied activities.

Benefits Of Pradhan Mantri Mudra Yojana:

- 1. Reasonably high loan amount-** The PMMY scheme offers upto INR 10 lakhs to a business enterprise. The terms of the loan are designed in a manner to encourage the growth of MSMEs, startups and small units. The maximum amount of loan is INR 10 lakhs, which is a reasonably good sum to meet the requirement of a small unit.
- 2. No collateral-** PMMY scheme provides unsecured loans, so no collateral is required when applying for the loan.
- 3. Easy process of loan disbursement-** Lending institutions like banks, NBFCs or micro-finance companies have been directed to ensure easy and hassle-free loan disbursement. Most of the small units do not have documents to satisfy a bank. The simplified process of Mudra scheme takes care of the problem that was always faced by the small units of not having satisfactory documentary evidence to prove creditworthiness.

4. Favors small firms- The PMMY Scheme has been introduced as a tool to empower startups and small entrepreneurs to grow profitably. The Government stands in as the guarantor which works as a comfort factor for the banks. In case of default, the responsibility is taken over by the government. This feature greatly favors the incumbent applicants who can invest the borrowed funds for their growth.

5. Funds may be used for multiple purposes- one may use the borrowed funds for various business needs like procurement of equipment and machinery to be used in business. The PMMY loan may also be used for purposes like the geographical expansion of business or brand promotion.

6 Empowering Women: Women entrepreneurs have added special concessional benefits to the loans offered under the MUDRA scheme.

7. Rural Empowerment: The MUDRA Yojana loans are equally available to small-scale businesses in both rural and urban areas. Besides, rural locales benefit more from such loans due to greater accessibility.

8 Flexible Repayments: Although you can choose to repay the loan in a shorter period, the time frame of loan repayment can also be extended for a period of up to 7 years.

9. Multiple Credit Possibilities: The MUDRA scheme offers multiple opportunities to expand your micro-unit enterprise with facilities like cash credit, equipment financing, etc.

10. MUDRA Card: You can also apply for a MUDRA card that provides instant and seamless access to funds and overdraft facilities.

4. RECOMMENDATIONS

1) The majority of approved loans fall under the shishu category. To promote broader development, it is essential to enhance loans for the kishor and tarun categories.

2) While the participation of women is notably high, it is limited to the shishu category with relatively small loan amounts.

3) There is a crucial need to boost loans for economically disadvantaged individuals in the open category. Unfortunately, this category is not mentioned in the Mudra report.

4) Maharashtra, being an industrialized state in India, requires additional efforts to augment the loan sizes.

5) The representation of SC, ST, and OBC categories is significant, yet it is primarily in the shishu category. It is imperative to increase their presence in the kishor and tarun categories.

5. CONCLUSION

The foundation of economic development lies in the support and strengthening of small businesses. Numerous initiatives have been implemented in recent years, signaling a positive step forward. One such program, 'Swarnajayanti Gram Swarozgar' (SGSY), was introduced in 1999. This comprehensive program encompasses various aspects of self-employment, including the organization of the underprivileged into self-help groups, training, credit facilities, technology, infrastructure, and marketing. The Indian Government has consistently strived to showcase India as a rapidly developing nation. However, the persistent issue of poverty remains a significant hurdle. In an effort to address this challenge, the Government launched the Pradhan Mantri Mudra Yojana (PMMY). This initiative is not merely focused on providing loans; it aims to stimulate economic activities to uplift individuals out of poverty. PMMY is the latest scheme aimed at bolstering small and micro-businesses in India, with a specific focus on entrepreneurs. Such initiatives are expected to enhance the well-being of those involved in small-scale industries, thereby contributing positively to the overall economic progress. The early success of MUDRA as a financial tool across the country indicates its effectiveness and potential to bring about significant change, ultimately contributing to the development of a prosperous India.

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