



Impact of mudra yojana on the promotion of entrepreneurship in India

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Abstract

On April 8, 2015, our esteemed Prime Minister Shri Narendra Modi founded the Micro Unit's Development and Refinance Agency Limited (MUDRA) to help banks, microfinance organizations, non-banking organizations, and other small businesses and individuals in extending loans and promoting their entrepreneurial endeavours. The Mudra loan covers three of the schemes: Shishu, Kishor, and Tarun. This study clarifies the features of the Mudra Loan, its primary advantages and disadvantages, whether it has facilitated self-employment, and the overall population that has used it in recent years. In fact, Mudra has boosted business, especially among young people who represent the nation's future and can lead it to a developed stage. The timely and easy accessibility of finance for these small firms has long been a top priority for the government. Banks find it difficult to make loans to the non-corporate sector because a substantial chunk of it runs as unregistered enterprises. The Pradhan Mantri Mudra Yojana was therefore established by the government as an essential step in providing simple financial assistance for the expansion and development of India's self-employed sector. This program's objective is to combat the issue of scarcity and underfunding by offering small company owners financial support of up to 10 lakhs so they may run their companies, enjoy growth, and boost the GDP of the country. The effectiveness of PMMY's promotion of entrepreneurship in India is the basis for this study's evaluation of its performance. Numerous initiatives and services provided by this yojana are also looked into in India.

Keywords: Mudra loan, shishu, kishor, tarun, self-employment, entrepreneurship in Chhattisgarh

Introduction

The Government of India introduced the Mudra Yojana, sometimes referred to as the Pradhan Mantri Mudra Yojana (PMMY), in April 2015 to encourage entrepreneurship and help the nation's small and micro businesses. The acronym "Mudra" refers to Micro Units Development and Refinance Agency and reflects the main goal of the program, which is to offer money and financial support to micro and small business units. With a sizable population and a diverse economy, India has a sizable informal and small-business sector labour force. These companies are essential for creating jobs, encouraging innovation, and boosting the economy. These entrepreneurs have faced substantial difficulties in obtaining official financing and financial resources, which has limited their ability to develop and flourish. In this situation, the Mudra Yojana sought to address these issues and foster the development of entrepreneurship in India.

The scheme was designed to achieve the following key objectives

▪ Financial Inclusion

By providing lending facilities to small- and micro-business owners who lacked access to formal banking channels, Mudra Yojana sought to advance financial inclusion. The plan aimed to integrate them into the mainstream financial system by doing this.

▪ Access to Credit

Mudra Yojana offered a range of credit options to meet the various financial requirements of micro and small businesses. Based on the stage of the business and the funding requirements, these loans, provided by

collaborating banks and financial institutions, were divided into three categories: Shishu, Kishor, and Tarun.

▪ Job Creation

The program aims to provide new employment prospects by giving financial support to small enterprises and startups. As these companies grew, they would need a larger workforce, which would help the economy by creating jobs.

▪ Women Empowerment

The Mudra Yojana also placed a focus on encouraging female entrepreneurs to seek out finance and launch their own businesses. Women-owned enterprises received special incentives and support.

▪ Boost to Economic Growth

Increasing productivity, innovation, and competitiveness through the support of small and micro businesses can result in an increase in the economy's overall growth and development.

The Mudra Yojana has accomplished its goals significantly throughout the years. It has expedited the distribution of loans to millions of small business owners, resulting in the formation and growth of numerous micro businesses in a variety of industries. The program has been significant in encouraging entrepreneurship in India by boosting financial inclusion and empowering aspirant business owners.

Significance of the Study

The study unequivocally demonstrates the characteristics and components that Mudra Yojana must offer, as well as its

advantages and disadvantages. The support it offers to banks, MFIs, NBFCs, small businesses, and individuals is highlighted in the study. The entire number of loan recipients between 2017 and 2022 is disclosed in the report. This demonstrates if the Mudra Yojana has remained effective among its beneficiaries.

Review of Literature

Ramesh Parimala (2016) The review is focused on the prospect that microfinance can provide small borrowers with financial aid of some kind, a notion that the public authority ultimately advanced under the name Mudra Credit. The Mudra business sector includes pay-delivering small businesses linked to the manufacturing, trading, and administration sectors for credits up to Rs. 10 lakhs. The initiative has been remembered for other connected industries, like agribusiness, from about 2016–17. The Shishu scheme and SC/ST/OBC have benefited greatly from the Mudra Bank revelations.

Mrs Jyothi Sharma and Dr. Deepak Gupta’s (2017) [5] Review highlights the crucial contributions that small and micro business units have contributed to the growth of the economy through trade and increased Gross domestic product. The lack of funding for starting and expanding new businesses, in any case, was the main barrier. The Indian government came up with a brilliant idea in 2015 with the Mudra lending scheme to help SMEs nationwide and finance the underfunded. The Mudra plot provides up to Rs. 10 lakh in credits.

Asha R. Nair, M.D. (2018) The Mudra credit was designed with the intention of providing financial administrations while upholding methodology and standards. To raise money for the underfunded was the goal. Its target audience consists of young, educated, and talented workers. Entrepreneurs are frequently taken advantage of by banks; however, Mudra Advance will instil faith in them by making them feel as though the country is backing their endeavours, which will ultimately be connected to creating by country-building. The scientist specifically examined the SBI, Panthalam branch in their examination. The review demonstrates how people feel about the Mudra Credit and the extent to which it has helped the country's less fortunate citizens. The lack of insurance protection, the affordable lending rates, and the convenient accessibility all contributed to the high degree of customer satisfaction. Shishu, Kishore, and Tarun have been cited by numerous people. People observed that the handling was quick compared to other advances and that the credit was disbursed in a single lump instalment.

Dr. Vishal Rajendra Sandanshive (2019) [3], Financial incorporation entails providing financial services to the most vulnerable segments of the public. Everybody approaches a ledger and credit, thanks to the Mudra Yojana. Following its acceptance, there was a pressing need for some businesses to evaluate cutting-edge financial products and services. In 2015, the PMMY was announced. The review shows that both public and private area banks have been successful in approving these credits for various private businesses. The scientist has also concluded that enormous changes in the course of events have occurred in Gujarat, Rajasthan, and Odisha. In the less fortunate areas of the general public, there was a lot of progress visible. There were a lot of female borrowers as well.

Objectives of the Study

- To find out about the schemes offered under this yojana.
- To study the impact of PMMY on the promotion of entrepreneurship in India.

Research Methodology

As per the review's objectives, the examination was subjective in nature, and it was directed utilizing auxiliary information taken from yearly reports posted on the public authority of India's site. The quantity of PMMY credits authorized, the sum endorsed, and the sum dispensed from 2018 to 2023 has all been featured in the examinations.

Data Analysis and Interpretation

The Micro Unit Development Agency publishes yearly data on mudra recipients and mudra accounts on its official websites for the benefit of all interested parties. According to region, state, gender, caste (OBC, SC & ST), bank, etc., data are nicely organized. Additionally, data are organized into performance categories. From the annual report on the official Mudra website, only the statistics on entrepreneurship recipients in India were used for analysis, as shown below. By the end of March 2022, the government's mudra yojna has disbursed all of the loans of Rs. 450423.66 crores meant for micro businesses under the MUDRA plan.

Table 1: Pmmmy loans and amount availed from 2017-2022

Financial year	No. of Pmmmy loans sanctioned	Amount sanctioned	Amount disbursed
2017-2018	48130593	2533677.10	246437.40
2018-2019	59870318	321722.79	311811.38
2019-2020	62247606	337495.53	329715.03
2020-2021	50735046	321759.25	311754.47
2021-2022	53795526	339110.35	331402.20

Source: Mudra Yojana (Annual Reports)

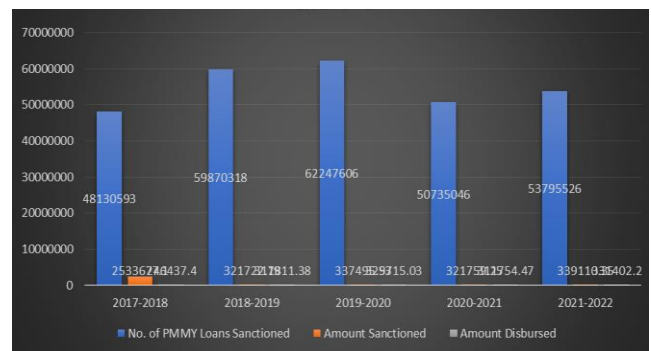


Chart 1

According to the data indicated above, the amount of supported PMMY credits, the amount endorsed, and the amount disbursed all reached highly undeniable levels in the first quarter. However, the number of approved advances, the amount authorized, and the amount disbursed all decreased in the following quarter. In the second quarter compared to the succeeding quarter, there is a little decline in the number of PMMY credits approved, the amount authorized, and the amount disbursed. In the fourth quarter, the number of PMMY credits granted, the amount endorsed, and the amount disbursed quickly decreased. As a result, over time, fewer and fewer people are taking out advances.

Table 2: Caste-wise performance in India

S. N.	Category	The financial year 2020-2021		The financial year 2021-2022		% change in Disbursement
		No. of a/cs	Disbursement amount	No. of a/cs	Disbursement amount	
1	General	25864699	208306.16	25994139	207992.98	62.76
2	SC	8398417	30360.15	9364702	29369.71	8.86
3	ST	3123282	12881.97	3518084	14274.86	4.30
4	OBC	13348648	60606.19	14918601	72209.8	21.78
Total		50735046	312154.47	53795526	331402.2	100

Source: Mudra Yojana (Annual Reports)

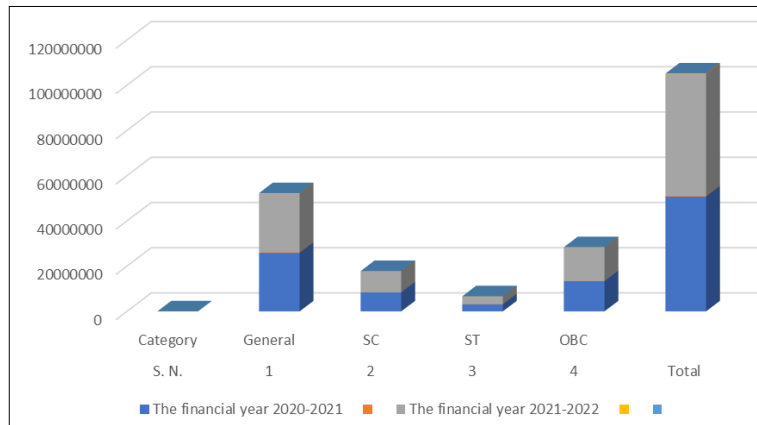


Chart 2

The table shows that a good rate of program usage is being achieved by both the general category and the OBC group. The SC and ST categories do well in terms of size, although being behind in terms of overall worth. The OBC group's

development in disbursement, which is greater than that of the general category, is another noteworthy achievement in India.

Table 3: Category-wise performance in India

Category	Financial year: 2020-2021		financial year: 2021-2022		% Change in disbursement
	No. of a/c	Disburs Ement amount	No. of a/cs	Disburs ement amount	
Women Entrepreneurs	33303604	12837.13	38429259	164441.88	58.97
New Entrepreneurs	7740581	79504.63	6530351	68999.66	24.74
Minority	4172061	26249.99	74488339	40857.3	14.65
PMJDY OD Account	746566	87.09	525606	106.65	0.04
Mudra card	244148	6729.35	148527	4474.78	1.60
Total	46206960	125408.19	113591731	278880.3	100

Source: Mudra Yojana (Annual Reports)

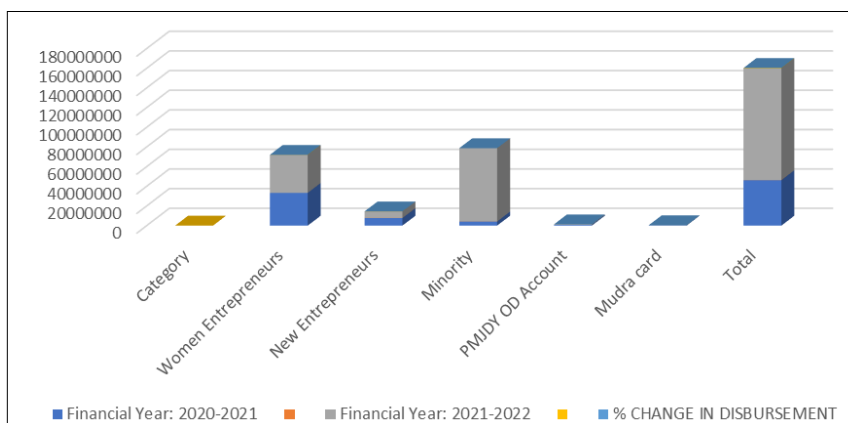


Chart 3

- The data in the table shows that business owners are the main supporters of the plan. For female business owners, the proportion of disbursements is higher. Due to the perception that they are less mature and business-savvy than men, women have historically had difficulty getting company financing. Because of this fear of women, it is more difficult for them to get a loan.
- The MUDRA scheme also includes a 0.04 per cent contribution for the PMJDY or Jan Dhan Yojana.
- Growth in the minority industry is still hardly significant. Despite the increase in their percentage share, they still need to be more focused.

Table 4: Entrepreneurship beneficiaries in India

Category/ years	Shishu		Kishor		Tarun		Total	
	No. of A/Cs	Amount (crores)	No. of A/Cs	Amount (crores)	No. of A/Cs	Amount (crores)	No. of A/Cs	Amount (crores)
2017-2018	42669795	106001.6	4553874	86732.15	806924	60943.36	48130593	253677.11
2018-2019	51507438	142345.25	6606009	104386.68	1756871	74990.86	59870318	321722.79
2019-2020	54490617	163528	6471873	95578	1285116	78358	62247606	337465
2020-2021	40180115	109953.34	9886160	132516.34	1068771	79290.57	51135046	321760
2021-2022	41721154	124747.37	11088206	137644.38	986166	76718.61	53795526	339110

Source: Mudra Yojana (Annual Reports)

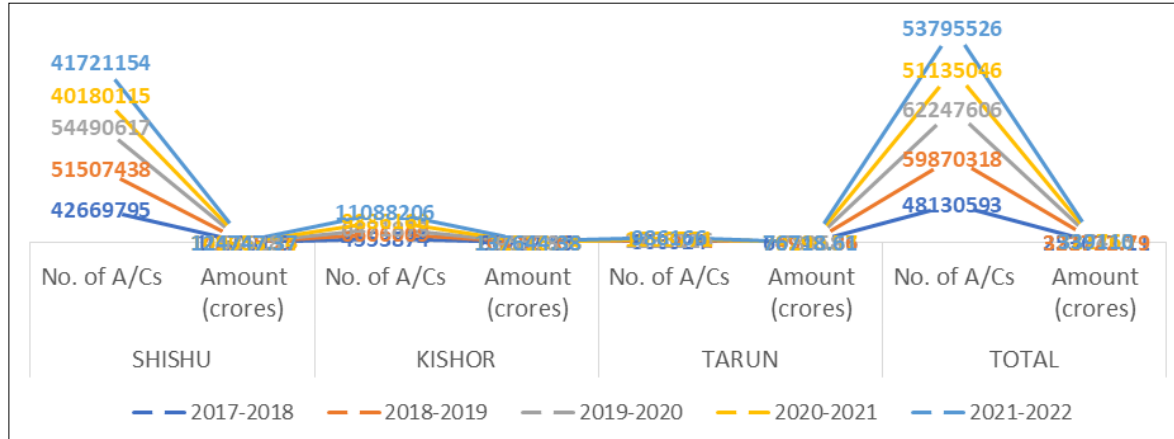


Chart 4

The information that was previously offered spans the years 2017–18 through 2019–20. Data on just Entrepreneurship beneficiaries is gathered in order to ascertain whether there has been an increase in the number of beneficiaries and accounts opened under this mudra program year over year. The data suggests an intriguing trend: between 2017 and 2020, there will be an increase in recipients. Additionally, more than 50% of the total beneficiaries of the schemes are business owners. It's also noteworthy that more accounts are being opened under the program each year, which promotes women's growth as entrepreneurs and as individuals with independent means of support.

Findings and suggestions

The analysis reveals that the amount of supported PMMY advances, the amount endorsed, and the amount disbursed have all significantly decreased between 2017 and the present. One or two drawbacks worth mentioning are the handling delay for credits, the fact that most of them go to women, the fact that the amount delivered is noticeably different from the amount allowed, and obviously defaults on Mudra credits. This occurs because banks lack a strong checking component and the majority of advances are made without following good financial principles. Furthermore, because the guarantee has no eligibility requirements, banks are forced to lend money to anyone who applies, regardless of whether they have a viable business plan. Banks are unwilling to extend additional credit to this group because of defaulters. The banks are unable to handle these defaults since these credits are still insecure. Despite these drawbacks, the Mudra Credit has undoubtedly improved the lives of the downtrodden and assisted young entrepreneurs and small businesses in realizing their dreams. If the aforementioned restrictions are lifted, the Pradhan Mantri Yojana has a huge number of recipients, and the Mudra plan will want to concentrate on alternative recipient sections in the future by utilizing credit in addition to strategy.

Conclusion

According to the review, GOI's PMMY initiative is a fantastic one. It has a significant impact on the microfinance industry. The initiative will foster seriousness while also assisting the oppressed, people with modest incomes and the unfunded population. PMMY widens the opportunities for credit qualification and renegotiation. In fact, the leading microbusiness sector in the nation is the Miniature Units Improvement and Renegotiate Organization Ltd. It has provided renegotiated support for banks, NBFCs, and MFCs to spread out credit to smaller businesses. Because small businesses are so important to our nation's economy, providing them with basic financial resources helps everyone in the country flourish financially while also creating job chances for some. Despite its limited restrictions, Mudra supports any financial movement that generates compensation. Banks should set up a robust monitoring component because credits are distributed with virtually no form of security. Additionally, the approved sums must be paid out less any adjustments, such as bank handling fees. Make sure the lending scheme is not only available to women. Before Pradhan Mantri Yojana is regarded as the best Make in India initiative and business support program among the nation's youth, there is still a long way to go.

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