

MICRO UNITS DEVELOPMENT AND REFINANCE AGENCY (MUDRA): A GOVERNMENT INITIATIVE FOR UPLIFTING SME'S IN INDIA

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Abstract

In India, Micro Enterprise constitutes a major economic segment in our country and provide large Employment after agriculture, therefore play a crucial role in the growth of the economy. But major part of this sector faces financial crises for their growth due to proper channel of funding agencies. Therefore, in the union budget which was presented by Hon'ble Finance Minister Shri Arun Jaitley for financial year 2015-2016 formation of MUDRA Bank was announced to overcome the financial problem of Small & Medium Enterprises. After that it was launched on 8th April 2015 by Hon'ble Prime Minister Shri Narendra Modi with a slogan "PUNJI SAFALTA KI KUNJI". Under this scheme loan facility is provided to SME's under three plans i.e. Shishu, Kishore and Tarun. This paper intends to discuss MUDRA in detail and takes in depth overview of MUDRA Bank as an initiative of financial inclusion to uplift the small business enterprises. In the last part, the positive Progress of MUDRA Bank in Haryana state can be observed.

Introduction

Micro Units Developments and Refinance Agency (MUDRA) is a scheme which is launched by Indian Prime Minister on 8 April 2015 for promoting the small medium Enterprises by providing fund facility. MUDRA is formed as a wholly owned subsidiary of SIDBI with 100% capital being contributed by it at its initial stage. Presently the authorized capital of MUDRA is 1000 crore and paid up capital is 750 crore fully subscribed by SIDBI. Pardhan Mantri Mudra Yojna (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." Under this scheme loan facility is provided to business units according to their size and stage of business. The structure of the loan scheme is:

PLAN/PRODUCT	LOAN AMOUNT	TYPE OF BUSINESS
Shishu	upto 50000	for startup business
Kishore	50000 -500000	Loan is required for establishment
Tarun	upto 10 lakh	for growth of business

Roles and Responsibilities of MUDRA

The primary objective of PMMY is development of micro enterprise sector in the country by providing financial support in the form of refinance, so as to achieve the goal of “Funding the Unfunded.” It is the responsibility of MUDRA banks to finance small manufacturing units, shopkeeper’s fruit and vegetable vendors, artisans, hair saloon, beauty parlours, truck operators in rural and urban areas which require a loan facility upto Rs. 10 Lakhs.

How to take benefit under mudra scheme

MUDRA loan is for non-farming income generating enterprises in manufacturing trading and services which require credit below 10 lakhs. This scheme does not provide loan facility directly to the SME’s. For availing the facility of MUDRA Loans borrower can approach following lending institutions in their region.

1. Scheduled commercial Banks (Public/Private)
2. Regional Rural Banks
3. Scheduled Urban Co-Operative Banks/State co-operative Banks
4. Micro Financial Institutions viz, NBFC’s, MFI’s, Societies, Trusts, etc.

MUDRA has identified 97 Nodal officers at various SIDBI Regional offices/ Branch offices to act as “First Contact Persons” for MUDRA. In addition to these banks, NBFC’s and MFI’s operating across the country can also extend credit to this segment for which they can avail financial assistance from MUDRA Ltd, subject to their conforming to the approved eligibility criteria.

Review of Literature

Vastav (1987) Institutional finance for Small scale industries. This study concludes that small scale industries faces financial problems and government should take some steps for the existing SME’s to protect them.

Ramesh (1991) Problems of Small Scale Industries. This paper concludes that Small Scale Industries faces financial problems and government should take some steps for the existing SME’s to protect them.

Subrahmanya Sharma M & P Rajalingam (1991). Effectiveness of bank financing to small scale industries. This study is conducted in Warangal District of AP and conclude that SME’s faces problem to short term funds to increase their capacity utilization.

Ghoshal S N (2008) Small Medium enterprises need innovative financing model”. This paper analyses the various strategies adopted in India for providing finance to Small Scale Industries with other countries like Europe & USA. The effective model suggested in this study is to boost SME’s by creating private public partnership b/w the small & Medium Enterprises.

Dr. Reetu Sharma (2012) “Problem & Prospects of small scale Industries Units (a case study of exporting and non-exporting units in Haryana)” This article concluded that non exporting units faces financial problems. On the other hand non exporting units faces the executive inefficiency, technological lag, problems relating to export etc. In addition to this, terms of payments is also a major problem which is equally faced by both exporting & non exporting units.

Mehar L (2014) has shown that in last few year with advancement in technology. Financial inclusion has increased in India but still there is need.

Rudrawar, M.A. A., & V.R (2016) has suggested that MUDRA can be fruitful for the economy if implemented properly.

Roy, Anup Kumar (2016) has concluded that SME's should be supported for their development.

Discussion of Literature

The above literature indicates that finance plays a very important role in establishment and progress of small scale industries. Small Enterprises faces problem of short term finance to increase their capacity. In our country there are 5.77crores small and medium business units (survey data of NSSO as indicated in Budget Speech of 2015-2016 by Hon’ble Finance Minister Shri Arun Jaitley) which work in the field of trading and manufacturing, out of these 62% of these units are held by low income group people and for these group people it is very difficult to arrange funds from big formal financial institutions. Thus Government of India has Introduced PMMY (Pardhan Mantri Mudra Yojana) to boost the small and micro enterprises.

Objectives of the Study

1. To discuss the impact of MUDRA Yojana on financial Inclusion.
2. To discuss the current progress of MUDRA Yojana in Haryana State.

Impact of Mudra on Financial Inclusion

Financial Inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. (The Committee on Financial Inclusion Chairman Dr. C Rangarajan) IT does not include not only banking products but also other financial services such as insurance and equity products. The main motive of Financial Inclusion is to provide financial facilities to low income groups and bringing them into mainstream and also protect them from exploitation of money lenders who charges very high interest rates. Therefore, Government of India has taken various policy initiative to make easy access to financial services to weaker

sections of society. Some measures for financial inclusion are:

Relaxed and Simplified KYC norms

Compulsory requirement of opening branches in Un- Banked villages

Licensing of New Banks

Issuance of Kishan Credit Card

Expansion of ATM cards

MUDRA Yojna is also a government initiative to promote financial Inclusion in India. After its introduction in 2015, it is working smoothly in India and has shown a great impact on disbursement of loan to various sections of society. The following table shows the overall performance of MUDRA Yojna in financial year 2016-17.

PMMY - Overall Performance report

Financial Year: 2016-2017

[Amount Rs. in Crore]																	
Sr No	Category	Shishu (Loans up to Rs. 50,000)				Kishore (Loans from Rs. 50,001 to Rs. 5.00 Lakh)				Tarun (Loans from Rs. 5.00 to Rs. 10.00 Lakh)				Total			
		No Of A/Cs	Sanctioned Amt	Disbursement Amt	Outstanding Amt	No Of A/Cs	Sanctioned Amt	Disbursement Amt	Outstanding Amt	No Of A/Cs	Sanctioned Amt	Disbursement Amt	Outstanding Amt	No Of A/Cs	Sanctioned Amt	Disbursement Amt	Outstanding Amt
1	General	14835512	35163.69	34615.71	26289.17	1896749	40820.62	39135.12	33416.74	468592	36600.85	35281.49	29508.15	17200853	112585.16	109032.31	89214.06
2	SC	6985508	15976.2	15774.74	10972.48	139982	2170.84	2040.03	1830.51	10134	750.79	709.32	604.4	7135624	18897.83	18524.08	13407.38
3	ST	1726857	3831.23	3763.66	2551.94	59987	1030.01	954.25	847.1	5658	411.5	387.64	320.03	1792502	5272.74	5105.55	3719.07
4	OBC	12949936	30129.63	29737.77	20593.76	566784	9523.67	8933.73	7830.89	55348	4119.52	3978.69	3444.15	13572068	43772.82	42650.19	31868.8
	Total	36497813	85100.74	83891.8	60407.35	2663502	53545.14	51063.12	43925.22	539732	41882.66	40357.13	33876.74	39701047	180528.54	175312.13	138209.31
5	Out of Above																
6	Women Entrepreneurs	28472344	66997.91	66185.86	46684.74	624925	9541.63	8733.38	15938.01	49625	3750.13	3330.54	2917.9	29146894	80289.68	78249.77	65540.65
7	New Entrepreneurs / Accounts	8110486	18720.64	18429.78	13250.49	1586010	31757.94	30001.99	25841.24	292974	22481.56	21542.19	18043.26	9989470	72960.14	69973.96	57134.98
8	Minority	4786834	11341.14	11186.68	7545	324071	5690.97	5380.82	4761.6	43646	3243.96	2906.7	2488.15	5154551	20276.07	19474.2	14794.75
9	PMJDY OD Account	1423715	417.64	312.62	168.12	0	0	0	0	0	0	0	0	1423715	417.64	312.62	168.12
10	Mudra card	147371	386.14	356.44	318.06	27948	550.35	543.42	438.63	8605	628.12	615.98	512.24	183924	1564.61	1515.84	1268.93
11	NULM	5841	23.03	21.66	18.88	9870	155.43	138.98	124.03	117	8.31	7.94	7.25	15828	186.77	168.59	150.16
12	NRLM	73449	314.76	263.78	230.01	75634	1293.93	956.61	817.57	6437	395.74	166.71	134.87	155520	2004.42	1387.11	1182.45
13	Other Govt. Sponsored Prog.	1036913	2664.79	2623.55	1968.52	189658	3377.27	3140.73	2582.56	27414	2201.58	2086.45	1792.68	1253985	8243.64	7850.74	6343.76

The above table shows that MUDRA has proved as positive initiative of government of India as each and every section of society has been benefitted.

Progress of Mudra Yojana in Haryana State

In Haryana, Small and Medium Enterprises have undergone a vast development in last four decades. Micro small and medium Enterprises engaged in service/ manufacturing of Agro and Food processing, Automobile and auto parts & textile, Engineering, Footwear, Defence, Electricals and Electronics, computer software, plastic products, bio engineering, Meat products, Agriculture inputs, Chemicals and Pharmaceuticals and other small business units contributes to progress of economy but faces financial problems for their development and progress. The performance of MUDRA in Haryana state is shown in following tables.

Pradhan Mantri MUDRA Yojana (2015-2016) - Haryana											
<i>[Amount Rs. in Crore]</i>											
Shishu (Loans up to Rs. 50,000)			Kishor (Loans from Rs. 50,001 to Rs. 5.00 Lakh)			Tarun (Loans from Rs. 5.00 to Rs. 10.00 Lakh)			Total		
No Of Sanct ions	Sancti oned Amt	Disburse ment Amt	No Of Sanct ions	Sancti oned Amt	Disburse ment Amt	No Of Sanct ions	Sancti oned Amt	Disburse ment Amt	No Of Sanct ions	Sancti oned Amt	Disburse ment Amt
69340 8	1397.5 2	1371.96	39525	885.40	847.43	12602	976.35	933.23	74553 5	3259.2 7	3152.62

PMMY REPORT

Pradhan Mantri MUDRA Yojana (2016-2017) – Haryana											
<i>[Amount Rs. in Crore]</i>											
Shishu (Loans up to Rs. 50,000)			Kishor (Loans from Rs. 50,001 to Rs. 5.00 Lakh)			Tarun (Loans from Rs. 5.00 to Rs. 10.00 Lakh)			Total		
No Of Sanct ions	Sancti oned Amt	Disburse ment Amt	No Of Sanct ions	Sancti oned Amt	Disburse ment Amt	No Of Sanct ions	Sancti oned Amt	Disburse ment Amt	No Of Sanct ions	Sancti oned Amt	Disburse ment Amt
=c3.N o Of Sanct ions											

Pradhan Mantri MUDRA Yojana (2016-2017) – Haryana											
<i>[Amount Rs. in Crore]</i>											
Shishu (Loans up to Rs. 50,000)			Kishor (Loans from Rs. 50,001 to Rs. 5.00 Lakh)			Tarun (Loans from Rs. 5.00 to Rs. 10.00 Lakh)			Total		
No Of Sanct ions	Sancti oned Amt	Disburse ment Amt	No Of Sanct ions	Sancti oned Amt	Disburse ment Amt	No Of Sanct ions	Sancti oned Amt	Disburse ment Amt	No Of Sanct ions	Sancti oned Amt	Disburse ment Amt
65284 4		1460.35	47513 2	1050.8 2	992.33	16265 7	1499.6 7	1244.91	71662 2	3843.5 3	3697.59

PMMY REPORT

The above financial year report of 2015-16 and 2016 -17 shows that MUDRA Yojana is making progress under all the three plans with an increase amount of disbursement amount and sanctioned amount from 2015-16 to 2016-17.

Scope for Further Study

The progress of MUDRA Yojana in other states which are not included in this study can be taken for further study.

Limitations of the Study

All the information related to scheme cannot be generalized.

Due to time constraint secondary data is used in the study.

Conclusion

In India, Small and Micro business units contributes to the progress of the economy by providing employment to the large part of population and by adding up to the GDP of the country. But the Small and Medium Enterprises in India faces the problem of funds for starting new businesses and their establishment as well 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 as the main aim of this Scheme is to funding the unfunded. MUDRA has proved as a new financial stream for Micro business units for their loan

requirement of upto Rs. 10 Lakhs. The overall performance of MUDRA for 2016-2017 shows that it has benefitted each and every section of society under its plans. As MUDRA is applicable all over India and it is working efficiently and in Haryana state it has shown a positive progress with the increase in loan sanctioned amount from 3259.27 crores to 3843.53 crores under its three plans. Thus MUDRA has shown a positive impact in uplifting the Small & Medium Enterprises.

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