

**Pradhan Mantri MUDRA Yojana (PMMY):  
Features, Objectives, Goals and SWOT Analysis**

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**Introduction:**

Micro-finance is an economic development tool whose objective is to assist the poor to work their way out of poverty. It covers a range of services which include, in addition to the provision of credit, many other services such as savings, money transfers, insurance, counselling etc. The players in the micro-finance sector can be qualified as falling into 3 main groups – the SHG, Bank linkage model started by NABARD, the non banking finance companies and others including trusts, societies etc.

The government set up a Micro Units Development and Refinance Agency (MUDRA) Bank which would be responsible for regulating and refinancing all Micro-Finance Institutions (MFIs) which are in the business of lending to micro/small entities engaged in manufacturing, trading and service activities.

The Prime Minister Narendra Modi launched the promised MUDRA Bank on 8 April, 2015 with a corpus of Rs 20,000 Crore and a credit guarantee corpus of 3,000 Crore. The launch was the fulfilment of an announcement earlier made by the then Finance Minister Arun Jaitley in his FY 2015-16 budget speech.

PMMY is another financial inclusion initiative taken by the Government of India. Pradhan Mantri MUDRA Yojana (PMMY) is a scheme launched by the Hon'ble Prime Minister on April 8, 2015 for providing loans upto 10 lakh to the non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA loans under PMMY. These loans are given by Commercial Banks, RRBs, Small Finance Banks, Cooperative Banks, MFIs and NBFCs. The borrower can approach any of the lending institutions mentioned above or can apply online through this portal. Under the aegis of PMMY, MUDRA has created three products namely 'Shishu', 'Kishore' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth.

MUDRA Scheme is aimed at 'funding the unfunded'. The small entrepreneurs of India are used to exploitation at the hands of money lenders so far but MUDRA will instill a new confidence in them that the country is ready to support them in their efforts that are contributing so heavily to the task of nation building.

### **MUDRA Vision**

"To be an integrated financial and support services provider par excellence benchmarked with global best practices and standards for the bottom of the pyramid universe for their comprehensive economic and social development."

### **MUDRA Mission**

"To create an inclusive, sustainable and value based entrepreneurial culture, in collaboration with our partner institutions in achieving economic success and financial security."

Pradhan Mantri MUDRA Yojana (PMMY) is a program directed towards supporting income generating micro enterprises engaged in manufacturing, trading and services sectors with a loan requirement upto Rs 10 Lakh. Recently, the activities allied to agricultural sector are also included as eligible under PMMY. Any Indian citizen who is eligible to avail of loan and has business plan for an income generating activity can avail MUDRA loan under PMMY.

MUDRA Loans are disbursed under three categories as below:

S.No.	Category	Business type covered	Amount
1.	Shishu	The business units that are just started	Upto Rs 50,000/-
2.	Kishor	Business Units that are set and in medium stage	Rs 50,000 and upto Rs 5 Lakh
3.	Tarun	Goods established business units that need more funds to raise business	Above Rs 5 Lakh and Upto Rs 10 Lakh

The micro enterprises loans upto Rs 10 lakh are collateral free and they can be covered under Credit Guarantee Fund for Micro Units (CGFMU) operated by National Credit Guarantee Trustee Company Limited (NCGTC). All commercial banks ( private or public) , RRB, Cooperative Bank or other micro finance institutions are eligible for refinance under PMMY.

### ❖ **Main Objectives of Mudra Yojana Scheme**

- **Guidelines for microfinancing**

This will decide how much microfinances should be invested and where. The eligibility, verification and processing of the Mudra Scheme will be done initially.

- **MFI entities registration**

The entrepreneurs who think that they are eligible under this scheme can apply for registration. If verified and approved, they will be beneficiaries of this scheme.

- **MFI entities supervision**

The supervision of the microfinances is done carefully. It is made sure that each eligible candidate receives the stipulated amount without any delay or hassle.

- **MFI entities accreditation**

To ensure that the applicants are eligible for refinancing under this particular scheme, various verification processes are implemented and accreditation is given.

- **To prevent indebtedness and ensure timely recovery**

Mudra is a refinancing scheme and not a direct lending scheme. As with any other means of lending money, in case of unwarranted situations if the borrower is unable to pay the money back, debts tend to accumulate over time looming like a dark cloud over the borrower. One of the objectives of the Mudra is to ensure timely recovery of the microfinances to prevent mounting debts.

- **Development of a set of standard covenants for last mile micro enterprise lending**

Microfinancing and micro enterprise can get really messy without a predefined standard, especially for the last mile lending, when the reach extends to the struggling and economically abused portion of the population. One of the main objectives of Mudra scheme is to clearly set these standards to keep the procedures as clear and transparent as possible.

- **Technology solutions for the last mile**

The last mile transaction is probably the most important one in the whole process because it is when the entire purpose of reaching out to almost every citizen of India can be achieved. The

digital world today has come up with various solutions for this, and this scheme aims to implement those technical solutions with the hope of reaching as many people as possible.

- **Formulating and supervising a credit guarantee scheme for loans to micro enterprises**

Micro enterprises are businesses on a very small scale that employ hardly a handful of people. When loans are extended to such enterprises, a guarantee of credit must go hand in hand.

- **Supporting development and promotional activities in sector**

Mudra Yojana Scheme doesn't just end with refinancing and collecting the payment. It also involves actively supporting any form of development in the sector to which it has refinanced. The ultimate aim is the development of our nation and this scheme strives in all possible ways to achieve that.

- **Creating good architecture of last mile credit delivery**

Quite a few government schemes do not get implemented completely due to various reasons and somewhere along the way, the focus seems to get completely lost. The Mudra Scheme has taken upon itself as one of its objectives to ensure that the credit delivery happens as promised to every verified individual or enterprise.

❖ **SWOT Analysis of PMMY**

“Funding the unfunded” is the main motive for which Micro Unit Development and Refinance Agency (MUDRA) has been set up. It has an initial corpus of Rs 20,000 Crore and a credit guarantee corpus of Rs 3,000 Crore. The initial corpus would be provided by banks from their priority sector lending shortfall. It was established through a statutory enactment which would be accountable for developing and refining MFIs which are in the business of lending to micro and small business units engaged in manufacturing, trading and service activities.

Through Pradhan Mantri Mudra Yojana (PMMY), MUDRA Bank will also refinance Micro Finance Institutions (MFIs). The main aim to set up MUDRA Bank is to encourage small business units and entrepreneurs to expand their competencies and operations, to provide formal and easy system of credit and to diminish over indebtedness.

The SWOT Analysis of the Pradhan Mantri MUDRA Yojana (PMMY) will give a clear picture of the overall analysis of the scheme. The SWOT Analysis is concerned with the **Strengths, Weaknesses, Opportunities and Threat** of the scheme. Let's go through the point one by one.

➤ **STRENGTHS**

- The scheme can give support and empower the needy people and small business.
- The interest rates in the Scheme are nominal.
- It easy very easy to apply for loan.
- It also makes credit guarantee to the one who has taken the loan. It means that the person will not only go into debts. The government will also have to bear the responsibility of the loan.
- There are certain agents hired under the committee who will guide on how to organize and process a business so that there are minimum risks of getting a negative result. All the small business units and sectors will be placed under the surveillance, and a regular evaluation will be made based on their performances.

➤ **WEAKNESSES**

- There can be a potential of conflict of interest due to the nature of roles and responsibilities of MUDRA Bank.
- There can be promotion of shadow banking.
- There can be multiple regulators for MFIs.
- There is unawareness about the scheme.

➤ **OPPORTUNITIES**

- There can be more focus on job creation.
- There can be an extension of the scheme to personal sector other than farms and factories.
- There can be more collaborations with the MFIs.
- There can be more encouragement for women entrepreneurs and can be attached to the scheme.

### ➤ **THREATS**

- There is a better solution to finance micro and small businesses.
- There are number of already existing refinancing agencies.
- There can be confusion due to variable interest rates.

### **Sweeping Success**

Mehraj Bee, a casual labourer, thought, “when the Swachh Bharat Campaign sends a message to keep India clean, will there not be a business for brooms?”

Inspired by this thought, she toiled hard to find time after a typical day to make brooms with the limited resources available with her. Looking at her hard work and determination to support the family, Bharat Financial Inclusion Limited, and MFI, provided her a loan of Rs 15,000 in January 2016. With additional resources, Mehraj Bee procured more raw materials and increased her production of handmade brooms. As expected, the brooms fetched good market. As a result, her daily income has gone up by 50%. Her dreams do not stop here. She plans to expand the business and the MFI has assured more support for the same.

### ❖ **MUDRA : A Game Changer?**

Yes it can. See the existing demographics. Majority of Indians are poor and live in rural and interior parts of India. Most are excluded from getting facilities that would be termed very basic, even by Indian standards.

MUDRA Bank is a step by the government that can be a game changer in giving birth to a new set up of entrepreneurs, some of whom may scale new heights. This is far better than giving subsidy, which may seem welcoming at first, but does little to help an individual strive for a better life. MUDRA is the way far to go.

The idea of connecting every last mile financier (either bank or MFI) to lending credit to all type of business is not particular to India. To reach every common person is beyond imagination for Banks and only MFIs or local money lender can do this to flow credit to every needed person. Whenever informal sector people like rickshaw pullers, household factories etc., look for formal credit then condition of security was major hurdle in getting loan and can't be fulfilled as these people do not own any property. As now in Mudra loan, there is no condition of collateral up to loan of Rs 10 Lakh and it will help to fund the unfunded.

It has various dynamic features like Mudra Card, Bank Limit etc. which make scheme more attractive. In Bank Limit, amount sanctioned for loan shall be deposited into one's Mudra account and then one can get credit any time from use of Mudra Card. The interest will be subjected to amount and time period that one has used but not on whole amount for whole of the year.

As majority of loan amount i.e. 60% shall be allotted to Shishu category can be very useful for extreme poor population included SC/STs, as majority of sole proprietor business in home based processing units, such as pickles, papad is run by them. It is to be noted that most of the micro enterprises, retail or trading activity are initiated and controlled by women, with no exposure to education, formal training or access to an, with no exposure to education, formal training or access to an form of banking support.

There is no doubt that growth of informal sector has more effect on every macroeconomic variable like GDP, Per capita income, gross capital formation or employment generation etc. because this sector already employ more than 12 Cr population in approx 5 Cr enterprises. PM Narendra Modi recognises this and was clear of the potential of this low hanging fruit. If MUDRA can continue to retain focus on the underprivileged and extend its reach to the interiors, it can well emerge as a bigger success story than what Grameen Bank of Bangladesh ever was or will be.

### ❖ **IMPACT OF MUDRA YOJANA ON FINANCIAL INCLUSION**

The major traffic jam to the growth of entrepreneurs in the Non-Corporate Small scale industries is the lack of financial support to this sector. Majority of this sector does not have access to formal source of funding. In a Developing country having large population like India, small business units play a significant role not only in contributing to nation income but also by providing employment to a large no of people. After identifying the significance of self-employment people and small business units, government of India launched MUDRA Yojana to deal with the financial and other constraints.

It is envisaged that it will benefit small entrepreneurs and will also act as a governing body for 'Micro- Finance Institutions' (MFIs). The MUDRA bank will facilitate credit to 5.77 crore small business units that are spread all across India who currently face difficulty to access credit from the regular banking system. Mudra Bank will associate with local coordinators and provide finance to "Last Mile Financiers" of small/micro businesses.

The money lenders exploit the small entrepreneurs of India so far, but MUDRA will in- still a new self-confidence in them that the country is ready to support them in their efforts that

are contributing so strongly to the task of nation building. It is established as a subsidiary of SIDBI, which has been supporting India's small scale industry since last 26 years. Many small business units entrepreneurs has availed finance under this scheme since its launching.

### ❖ CONCLUSION

The small businesses form the foundation of the economic development needs to be strengthened and supported. A large number of schemes have been taken in the past few years 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 engaged in small scale industries which will positively shape the progress of the economy as a whole. MUDRA as a financial tool is found very effective in its early stages across the country. This will definitely make a dramatic change and will help in making a developed India.

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