



A Study on Socio-Economic Impact of Mudra Scheme

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Abstract: This study has been undertaken to analyze the socio-economic impact of (Micro Units Development and Refinance Agency) MUDRA scheme launched in the year 2015. For the purpose of the study the secondary data available on the official website of the PMMY (Pradhan Mantri MUDRA Yojana) from the year 2015-2019 have been considered. We analyze the data for the loans issued to female borrowers along with the people from backward communities which includes scheduled tribe, scheduled castes and Other backward castes. For economic impact we analyzed the jobs created by the loan taken under MUDRA Scheme. We have also observed the size of the loans taken (Shishu, Tarun and Kishor). In this study we also find out the amount of bad loans under MUDRA scheme.

Index Terms – MUDRA, PMMY, Loans, Mudra loans, Social impact of Mudra loans, economic impact of mudra loans.

Introduction

Mudra Yojana was one of the most ambitious program started by Modi Government in the year 2015. MUDRA or Micro Units Development and Refinance Agency was setup with an aim to provide easy credit to the start-ups and small, medium and micro enterprises. The loans disbursed under MUDRA scheme is categorised into three categories

- SHISHU (loans up-to 50000)
- TARUN (loans from 50001 to 5 lakh)
- KISHOR (loans from 5 lakh to 10 lakh)

The names Shishu, Tarun and Kishor signifies the funding needs of the entrepreneur or the start-up. The major objectives of the MUDRA scheme are to generate employment both direct and indirect, encourage start-ups, provide for the financial needs of small and medium enterprises which consists of almost 93% of India's work force, to formalise the economy as major portion of these MSMEs work as informal business unit without any registration, till now most of the MSMEs and entrepreneur depended on informal money lenders, friends, relatives and access to formal banking was very limited so to streamline these underserved section of small businesses and entrepreneurs and give them access to formal banking system became important. MUDRA was established as wholly owned subsidiary company of SIDBI and NBFIs registration from RBI on 8th April 2015. The present authorised capital of MUDRA is 5000 crore rupees with paid up capital of 1657.93 crore. SIDBI has allocated the whole capital of MUDRA. RBI from the shortfall of priority sector lending of commercial banks has allocated 20000 Crore to create Refinance Corpus Fund.

MUDRA only provides loans to non-agricultural businesses though agri-allied activities are included under MUDRA scheme such as bee keeping, poultry farming, etc.

Micro-credit scheme under MUDRA provides loans upto 1 lakh rupees which are financed through micro-finance institutions. Under MUDRA there is also provision for refinance scheme for commercial banks, scheduled co-operative banks and regional rural banks (RRBs). MUDRA also has women enterprise program for women entrepreneurs and lastly it also covers securitisation of loan portfolios.

The innovative MUDRA card provides working capital facility as cash credit management tool. It acts like a debit card which is issued to all MUDRA loan account holders for working capital portion of the loan. It can be used to withdraw money from the loan account from any ATM across the country. MUDRA card can also be used to make payments through any point of sale machines.

The types of activities which can be covered under MUDRA loans are as follows:

- Buying transport vehicle
- Businesses under the domain of community, social and personal service activities
- Food products industry
- Textile industry
- Business loans for traders and shopkeepers
- Equipment finance scheme for Micro units
- Agriculture allied activities

But did MUDRA scheme really serve the purpose? Recently there have been questions on rising NPAs under this scheme, inefficient usage of funds, employment generation and so on. Major question was based on the disbursement of funds through commercial banks which is already facing bad-debt crisis and there have been demand for separate loan disbursement agency for MUDRA loans. Also, there has been inadequacy of funds to refinance the loans worth rupees 7 lakh crore and other budgetary constraints. The biggest flaw is the loans granted under MUDRA is without any collateral, they are more like personal loans hence there is the question of credit guarantee. This paper aims at discussing these flaws and determine the impact created by MUDRA scheme both socially and economically.

I. OBJECTIVES

- To understand the mechanism of MUDRA scheme
- To know who are the beneficiaries of MUDRA loan i.e. to study the disbursement done to different section of the society under the scheme.
- To analyse social impact of MUDRA i.e. Employment generated and impact on under-served section of the society
- To ascertain the economic impact of MUDRA i.e. Amount of NPAs, impact on credit growth, etc
- To study the operational and monitoring mechanism of the scheme

2.1 SCOPE OF THE STUDY:

- It analyses the social impact of the MUDRA scheme by studying the disbursement made to women, SC, ST and OBC.
- The study analyses the economic impact of by analysing the employment generated by the MUDRA scheme and amount of NPAs
- It analyses the possible hindrances faced by the MUDRA in disbursement of loan and financial constraints which can adversely impact the scheme

2.2. LIMITATION OF THE STUDY:

- The research is done based on the secondary data
- The data used for the study is only till the financial year 2018-19
- The study only analyses the allocation and disbursement of the funds and does not analyse the usage of the funds
- It only analyses the employment generated and NPAs due to MUDRA but does not study other economic factors

II. RESEARCH METHODOLOGY

The study is conducted by using secondary data from official website of Pradhan Mantri MUDRA yojana from the year 2015 – 2019. The data collected was only of under the loans granted for businesses ran by women and reserved categories such as Scheduled castes, Scheduled tribes and Other Backward Castes. The data related to performance of the MUDRA was retrieved from various news articles, previous papers published, online articles and reports published by well-known agencies.

IV. SOCIAL IMPACT

MUDRA was more than a social initiative than an economic one when we look at it from the perspective of, women empowerment, upliftment of backward section, etc.

4.1 Women empowerment

When we look at the data of number of accounts, amount sanctioned and amount disbursed to women beneficiaries of the MUDRA scheme at each level in the year 2018-19, which is as follows

LEVEL OF FUNDING	AMOUNT SANCTIONED (IN CRORE)	AMOUNT DISBURSED (IN CRORE)	NO OF ACCOUNT HOLDERS
SHISHU	96253.15	93977	33403579
KISHORE	26741.23	25666.77	2875392
TARUN	10039.23	9509.46	783591
TOTAL	133033.62	129153.23	37062562

Source: OVERALL PERFORMANCE REPORT OF PMMY 2018-19

2017-18			
LEVEL OF FUNDING	NO OF ACCOUNTS	AMOUNT SANCTIONED (IN CRORE)	AMOUNT DISBURSED (IN CRORE)
SHISHU	32144132	80371.59	78921.72
KISHORE	1335192	16586.84	15749.53
TARUN	78914	6295.7	5499.3
TOTAL	33558238	103254.13	100170.55

Source: OVERALL PERFORMANCE REPORT OF PMMY 2017-18

2016-17			
LEVEL OF FUNDING	NO OF ACCOUNTS	AMOUNT SANCTIONED (IN CRORE)	AMOUNT DISBURSED (IN CRORE)
SHISHU	28472344	66997.91	66185.86
KISHORE	624925	9541.63	8733.38
TARUN	49625	3750.13	3330.54
TOTAL	29146894	80289.67	78249.78

Source: OVERALL PERFORMANCE REPORT OF PMMY 2016-17

2015-16			
LEVEL OF FUNDING	NO OF ACCOUNTS	AMOUNT SANCTIONED (IN CRORE)	AMOUNT DISBURSED (IN CRORE)
SHISHU	27103118	69038.97	50640.02
KISHORE	473536	9068.03	8675.43 7
TARUN	51611	4076.55	3874.98
TOTAL	27628265	82183.55	54515

Source: OVERALL PERFORMANCE REPORT OF PMMY 2015-16

As we can see in the above data which summarizes the three points i.e. number of women account holders, amount sanctioned and loans disbursed under each strata viz shishu, Kishore and Tarun. We can observe that number of women account holders with MUDRA has increased from 2.7 Crore in 2015-16 to 2.9 crore in 2016-17, 3.3 crore in 2017-18 and 3.7 crore in 2018-19. Though there is increase in number of women account holders, most of the accounts fall under the SHISHU category. The amount sanctioned under MUDRA for women was close to Rs 82000 crore in 2015-16 which came down to 80 thousand crore in 2016-17 and in 2018-19 it is at Rs 1.33 lakh crore. Amount disbursed under Mudra to women applicants has also increased from Rs 54515 Crore to above Rs1 lakh Crore in the year 2017-18 and 1.29 lakh crore in 2018-19.

Backward/under-served section of the society

Another major social objective of MUDRA was to extend credit to underserved section of the society and give access to financial services to them without any collateral and with much ease. When we look at the data of loans sanctioned at each level, amount sanctioned and amount disbursed over the years which is mentioned in below listed tables which gives the data of MUDRA beneficiaries belonging to SC, ST & OBC category as well as to the general category

4.1.1 MUDRA data of SC from 2015 to 2019

	NO OF ACCOUNTS FORMED BY SC's			
	2015-16	2016-17	2017-18	2018-19
shishu	5952482	6985508	8186001	8767153
kishore	143357	139982	307214	552277
tarun	18898	10134	12946	133089
total	61,14,737	71,35,624	85,06,161	94,52,519

	amount sanctioned for sc (in crore rupees)			
	2015-16	2016-17	2017-18	2018-19
shishu	10811.29	15976.2	19462.62	23253.35
kishore	2805.05	2170.84	3976.79	5291.86
tarun	1358.73	750.79	939	1412.16
total	14975.07	18897.63	24378.41	29957.37

	amount disbursed for sc (in crore rupees)			
	2015-16	2016-17	2017-18	2018-19
shishu	10715.8	15774.74	19068.53	22556.66
kishore	2680.14	2040.73	3718.07	5069.8
tarun	1295.82	709.32	897.61	1362.91
total	14691.76	18524.79	23684.21	28989.37

Source: OVERALL PERFORMANCE REPORT OF PMMY

For scheduled castes MUDRA accounts stands at 94,52,519 as of 2018-19 which is up from 61,14,737 in the year 2015-16. Along with increase in the number of accounts held by Scheduled castes there has been increase in the sanctioned amount and loans disbursed. Over the years the sanctioned amount for SCs have increased from close to Rs 14975 Crore in the year 2015-16 to almost Rs 30000 Crore in the year 2018-19. The amount of loans disbursed has also reached Rs 28989.37 crore in the year 2018-19 from 14691.76 in the year 2015-16. However even here the maximum accounts and loans disbursed is under SHISHU category which needs to be expanded to other categories.

4.1.2 MUDRA data of ST from 2015 to 2019

	no of accounts of st			
	2015-16	2016-17	2017-18	2018-19
shishu	1606484	1726857	2418131	3012074
kishore	62869	59987	112795	200315
tarun	8993	5658	8381	128940
total	1678346	1792502	2539307	3341329

	amount sanctioned for st (in crore rupees)			
	2015-16	2016-17	2017-18	2018-19
shishu	3022.4	3831.23	5616.06	7697.71
kishore	1249.3	1030.01	1794.64	2352.7
tarun	606.53	411.5	589.71	1003.14
total	4878.23	5272.74	8000.41	11053.55

	amount disbursed for st (in crore rupees)			
	2015-16	2016-17	2017-18	2018-19
shishu	2982.88	3763.66	5475.88	7421.42
kishore	1179.43	954.25	1680.81	2352.7
tarun	579.72	387.64	549.76	973.1
total	4742.03	5105.55	7706.45	10747.22

Source: OVERALL PERFORMANCE REPORT OF PMMY

For scheduled tribes the number of MUDRA accounts stands at 33,41,329 which was just 16,78,346 in the year 2015-16 which shows increase in coverage of MUDRA scheme in the tribal communities. The amount sanctioned under MUDRA for scheduled tribes stands at Rs 11053.55 crore in the year 2018-19 which is significantly higher than Rs 4878.23 crore in the year 2015-16. The amount of loans disbursed to scheduled tribes in total of all the three categories is at Rs10747.22 crore in the year 2018-19. In ST categories there are two observations one is that amount disbursed is very less when compared to SC and OBC category and the maximum loans again fall under SHISHU category which needs to be expanded to other categories.

4.1.3 MUDRA data of OBC from 2015 to 2019

	no of accounts of obc			
	2015-16	2016-17	2017-18	2018-19
shishu	10161240	12949936	14154425	13735192
kishore	404889	566784	950831	1413592
tarun	42287	55348	73390	192463
total	10608416	13572104	15178646	15314247

	amount sanctioned for obc (in crore rupees)			
	2015-16	2016-17	2017-18	2018-19
shishu	19989.41	30129.63	33751.67	36578.17
kishore	7227.66	9523.67	14483.42	17794.45
tarun	3167.15	4119.52	5438.1	6210.12
total	30324.22	43772.82	53673.19	60582.74

	amount disbursed to obc (in crore rupees)			
	2015-16	2016-17	2017-18	2018-19
shishu	19805.54	29737.77	33144.16	35688.4
kishore	6927.4	8933.73	13912.94	16784.42
tarun	3029.57	3978.69	5239.2	5971.21
total	29807.51	42650.19	52296.3	58444.03

Source: OVERALL PERFORMANCE REPORT OF PMMY

In Other Backward Castes category there are maximum account holders and hence maximum amount sanctioned and disbursed is highest in this category. As of 2018-19 the number of OBC account holders are 1,5314,247 which as 1,06,08,416 in the year 2015-16. The amount sanctioned for OBC applicants is doubled to Rs 60582.74 crore in the year 2018-19 from Rs 30324.22 crore in the year 2015-16. Similarly, the amount of loans disbursed is at Rs 58444.03 crore in 2018-19 from Rs 29807.51 Crore in the year 2015-16. Even here the maximum amount of loans is under shishu category.

V. Economic Impact

Every scheme has its own economic goals and targets. MUDRA also has its own economic role to play which includes extending credit growth, formalisation of economy, encouraging new businesses to take loans, and most importantly jobs

According to the report produced by Labour Bureau which comes under Ministry of Labour, Mudra Loan created around 11.2 million jobs out of which 55% consisted of self-employed and remaining 45% were the new jobs created in existing firms between the year 2015 and 2018.

Report also states that prior to MUDRA scheme there were 39.3 million people were employed in different firms which increased to 50.4 million employed.

Prior to MUDRA there were 25.9 million self-employed people which increased to 31 million post MUDRA. Also, number of employees hired was 13.4 million which increased to 19.5 million employees hired post MUDRA.

One more important data shared by the ministry is that only 20.6% of the beneficiaries used the loan amount to establish the new unit or expand their business.

Also, MUDRA only helped creating 5.1 million new entrepreneurs which was much lower than Government estimates. Hence, though MUDRA has created jobs in MSME sector, the scheme has not yet efficiently delivered when we look at the amount spend to create this much employment which is much higher.

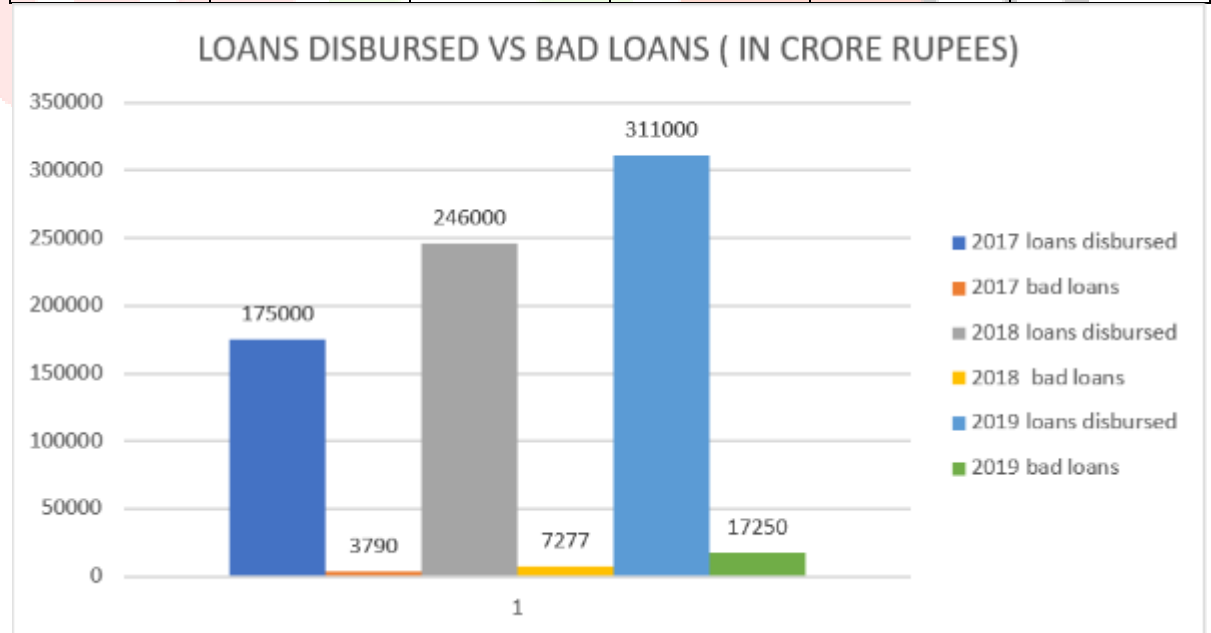
Over 90% of the amount disbursed under MUDRA scheme falls in SHISHU Tranche i.e. loan amount of 50000 which is not enough to create sufficient number of jobs.

in India today’s analysis, only 20% of the loans granted under MUDRA scheme has been able to meet the Government’s expectation i.e. only 1 in 5 Mudra loan has been able to generate the jobs. The average of loans sanctioned under Mudra scheme stood at 46530 Rs and only 45034 Rs were disbursed which is much below than per capita income of India and insufficient amount to create any jobs. Only Loans take under TARUN tranche can be said to generate sufficient income but only 3% of total loans distributed fell under this category, according to India Today analysis in Jnauary 2019. According to the same analysis average monthly income generated by SHISHU was Rs385, KISHORE was Rs 3487 and Rs 12787 by TARUN loans, where national average monthly income stands at 10650 Rs.

There is also the problem of Non-Performing Assets arising out of MUDRA.

According to the report by Business Standard in June 2019, Public sector NPAs of loans issued under the scheme have increased by Rs 9,204.14 crore in just one year – from Rs 7,277.31 crore in March 2018 to Rs 16,481.45 crore in March 2019. There were also many red flags on potential credit risk arising out of Mudra loans being granted without proper credit appraisals

2017		2018		2019	
loans disbursed (In Cr)	bad loans (In Cr)	loans disbursed (In Cr)	bad loans (In Cr)	loans disbursed (In Cr)	bad loans (In Cr)
175000	3790	246000	7277	311000	17250



Source: Business Standard

Though the NPAs as a percentage of very less i.e. around 5.55% of the total loans disbursed but there is red flag because all the loans passed under MUDRA is without collateral. Also, there has been pressure on PSUs to support the scheme and achieve targets even though it becomes unsustainable for the banks which might hurt the liquidity and profitability of the banks in near future.

VI. Major drawbacks of the MUDRA scheme

The major drawback of MUDRA is that banks have to lend money without asking for any collateral or guarantee, which is not very sustainable for the long run as and when NPA amount will increase. This might hurt the profitability of major PSU banks which are already under the burden of NPAs.

Also, banks are under pressure to meet the targets to disburse maximum amount of loans, which leads to compromise in basic banking principles.

Also there have been arguments that's commercial banks are not the best suited institutions to disburse small amount of loans which are less than 10 lakhs, as this requires different treatment and expertise hence for MUDRA loans micro finance institutions or small finance banks are more suitable and accessible to the borrowers.

MUDRA was initially designed as refinancing agency but as the loan amount increased, which now stands at more than 7 lakh crore, the funds available are inadequate to support this big amount loans. Government has budgetary constraints and banks are told to disburse loans at affordable interest rates.

VII. CONCLUSION:

From our study we conclude that MUDRA is a step in the right direction to achieve financial inclusion, increase employment and also increase the number of self-employed people. However, the maximum number of loans are distributed under Shishu Category which is a very small amount to create any real jobs and carry out economic activity for a long time. The good thing which is observed in MUDRA is that amount of Bad loans is very small but banks needs to be prudent in granting loans under MUDRA as all the loans under this scheme is without collateral. MUDRA scheme has definitely made an impact when it comes to empowering businesses conducted by women and backward communities. Major drawbacks of MUDRA has been in the laon granting mechanism as many believe that PSBs which are already under the pile of NPAs is not a good channel to distribute loans of such small sizes, a separate institution or channel must be created to distribute only loans under MUDRA scheme. Also, government is facing problems in refinancing such large amount of loans and has budgetary constraints to refinance all the loans. Banks are also under pressure to meet targets and give out loans at affordable rates which can affect the efficiency and profitability of banks. Overall, MUDRA is changing the scene of Financial Inclusion in India but it needs more efficiency and infrastructure support.

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