

Performance Analysis of Pmmy in South India

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Abstract: The paper elaborates the PMMY performance in South Indian States. The performance analysis study is done using secondary data. India has the largest middle class population in the world with most of them engaged in agriculture and small-scale business. For the financial needs, these individuals mostly depend on usurers, and it is estimated that more than 80% of the agriculture and small-scale business population depends on these usurers. The lending-to-repayment ratio is very good that these usurers are thriving well in their lending business, but they follow a stringent way in recollecting the debts. This vicious way of debt recollection has also resulted in more number of suicides among agriculture and small-scale business sector. To curb these types of suicides and to support the underprivileged people of India, our government has come up with many microfinance schemes. PMMY is one among those schemes for the development and upliftment of underprivileged. As per NSSO survey of 2013, there are close to 5.77 Cr small business units, mostly sole proprietorships, which undertake trading, manufacturing, retail and other small activities whereas with organized sector or large companies employ just 1.25 Crore. Clearly, the potential to harness and nurture this micro business is vast. After identifying the importance of social sector, self-employment and small scale business units; Government of India launched the MUDRA scheme under PMMY to provide financial assistance to MSME's, who provide employment to a large number of people among the Youths. This paper is an attempt to bring out the performance analysis of PMMY in South Indian States.

Keywords: ENTREPRENEURS, MFI'S, MSME, MUDRA, PMMY.

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I. Introduction

PRADHAN MANTHIRI MUDRA YOJANA (PMMY) is a flagship scheme launched by the Union Government on April 8, 2015 for providing loans up to Rs. 10 Lakh to the non- corporate, non- farm small/micro enterprises. Under PMMY, all banks i.e., Public Sector Banks, Private Sector Banks, Regional Rural Banks, State Co-operative Banks, Foreign Banks and Non Banking Financial Institutions (NBFC)/Micro Finance Institutions (MFI) are required to lend to non-farm sector income generating activities below Rs. 10 Lakh. These loans are classified as MUDRA Loans under PMMY.

For implementing the Scheme, Government has setup a new institution named, MUDRA (Micro Units Development & Refinance Agency Limited) for development and refinancing activities relating to micro units, in addition to acting as a micro finance sector, in general. MUDRA provides refinance to all banks seeking refinance of small business loans given under PMMY. Thus, MUDRA refinances to all last mile financiers – Non Banking Finance Companies of various types engaged in financing of small business, Societies, Trusts, Non-Cooperative societies, Small banks, Scheduled Commercial banks and Regional Rural Banks- which are in the business of lending to Micro/Small business entities engaged in manufacturing, trading and other services. [1][8] MUDRA has been formed with the primary objective of developing the micro enterprise sector in the country by extending various supports like the financial support of refinance and entrepreneurship assistance. The MUDRA loan objective of 'Funding the Unfunded' has twin purposes, seeding new entrepreneurs and expanding existing units.

Allocation under PRADHAN MANTHIRI MUDRA YOJANA (PMMY) has been doubled in Union Budget 2017-2018 at Rs. 2.44 Lakh Crore from previous 1.22 Lakh Crore with priorities to Dalits, Tribals, Backward class, Minorities and Women.[3][9]

To maximize coverage of beneficiaries and tailor products to meet requirement of specific business activities, sector/activity-focused scheme would be rolled out.

Objectives:

The objective of the study is

1. To understand the significance and importance of PMMY Scheme.
2. Analyzing the performance of PMMY categories in 2016-2017.
3. Viewing the South Indian State's Performance under PMMY in 2016-2017.

Methodology:

The data has been collected from secondary sources such as books, journals, magazines, newspaper and websites of PMMY report. The data analysis has been done using simple percentage method.

Limitation Of The Study:

1. Time constraints while collecting the data.
2. All data cannot be generalized.

Pradhan Manthiri Mudra Yojana:

The Honorable Prime Minister of India launched MUDRA BANK under PRADHAN MANTHIRI MUDRA YOJANA (PMMY) in New Delhi on April 08, 2015 along with the launch of MUDRA. Speaking at the launch of the scheme the Prime Minister said that "Supporting the small entrepreneurs of India is the biggest way to help Indian Economy to grow and prosper." He further said that "people think it is the biggest industries and corporate houses that provide higher employment, but the truth is only 12.5 million people are employed by big corporate houses against 120 million by the micro enterprises sector. We need to understand the energy of the bottom of the pyramid of individuals and provide them with means for upliftment.'[2]

The allocation of amount for PMMY in Union budget was Rs. 2.44 Lakh Crore which is doubled from previous Rs.1.22Lakh Crore. As on 24/11/2017, Number of PMMY Loan sanctioned would be 22819037 and the amount sanction is Rs. 113025.14 Crore and the amount disbursed is Rs. 108513.67 Crore. These loans are made available for non agricultural activities up to Rs. 10 Lakh. They are also extended for allied agricultural activities like Dairy and Poultry Farming, Apiary or Bee-keeping. [1][8]

As against a target of Rs. 1,22,188 Crore during the year 2016-2017, the banks and MFIs together disbursed an aggregate sum of 1,32,954.73Crore, which is achieved 109% in 2017 year end. The estimated number of borrowers in 2015-2016 fiscal years was more than four Crore. Of this amount, Rs. 1,23,000 Crore was lent by banks while Non Banking Finance Institutions lent about Rs. 57,000 Crore. The encouraging fact that comes out of the numbers is that of these four crore plus borrowers, over 70% of women entrepreneurs, 20% borrowers are from SC category, and about 5% from ST category while 35% from OBC category. The achievements of both Public Sector Banks and Private Sector Banks have been extremely encouraging. The robust growth in bank loans to unfunded and underfunded segments is an indication of the emergence of this category of borrowers as a key driver of demand for credit. The current Fiscal year 2017-2018 also prevails to achieve the target more than 109% until the March of 2018. [4][11]

Objective Of Mudra Bank:

The main objectives of the MUDRA banks are, to encourage entrepreneurs and small business units to expand their capabilities and operations, to reduce over indebtedness and to provide formal system of credit. Agriculture and self-employment will be the focus areas of MUDRA Bank. The Primary functions of the MUDRA Bank are:

- Frame policy/Guidelines for micro/small enterprises MFIs.
- Registration of MFIs.
- Regulation of MFIs.
- Promoting and regulating responsible finance in favour of client welfare, remove indebtedness and provide protection principles and recovery methods.
- Accreditation and rating MFIs.
- Promoting right technology solutions for problems faced by MFIs and borrowers.
- Framing a robust architecture for last mile credit delivery to MSMEs under the umbrella of PMMY.[5]

ELIGIBILITY:

Any Indian citizen who has a business plan for a non-farm sector income generating activity such as manufacturing, processing, trading or service sector and whose credit need is less than Rs. 10Lakh can approach either a Bank, MFI or NBFC availing of Micro Units Development and Refinancing Agency Ltd. (MUDRA) loans under PMMY.[4]

TYPES OF LOAN PROVIDED:

Under the aegis of PMMY, MUDRA has already created the following products/schemes.

- Shishu: Covering loans up to Rs. 50,000
- Kishor: Covering loans above Rs. 50,000 and up to Rs. 5 Lakh
- Tarun: Covering loans above Rs. 5 Lakh and up to Rs. 10 Lakh

The interventions have been named ‘Shishu’, ‘Kishor’, ‘Tarun’ to signify the stage of growth/development and funding the needs of the beneficiary micro unit/entrepreneur and also provide a reference point for the next phase of graduation/growth to look forward to. It would be ensured that at least 60% of the credit flows to Shishu category units and the balance to Kishor and Tarun categories. There is no subsidy for the loan given under PMMY. However, if the loan proposal is linked with some Government scheme wherein the Government is providing capital subsidy, then it will be eligible under PMMY also.[1][8]

PRODUCTS AND OFFERINGS OF MUDRA BANK:

Business units covered under the scheme includes proprietorship/partnership firms running small manufacturing units, shopkeepers, fruits/vegetable sellers, hair cutting saloon, beauty parlors, transporters, truck operators, hawkers, co-operatives or body of individuals, food service units, repair shops, machine operators, small industries, artisans, food processors, self-help groups, professionals and service providers, etc. in rural and urban areas with financing requirements up to Rs.10Lakh. [6][9]

The products initially launched are mentioned below:

Sector/activity specific schemes such as schemes for business activities in Land Transport, Community, Social and Personal Services, Food Product and Textile Product sectors and the same scheme would be similarly be added for other sectors/activities also:

- Micro Credit System.
- Refinance Scheme for Regional Rural Bank/Scheduled Co-Operative Banks.
- Mahila Uddyami Scheme.
- Business loan for Traders and Shopkeepers.
- Missing Middle Credit Scheme.
- Equipment Finance for Micro Units.

MUDRA Card is an innovative credit product, whereby the product can avail of credit in a hassle free and flexible manner. It provides a facility of working capital arrangement in the form of an overdraft facility to the borrower. Since MUDRA card is a RU-PAY debit card, it can be used for drawing cash from ATM or Business correspondent or make purchase using Point of Sale (POS) machine and repay the amount as and when surplus cash is available thereby reducing the interest cost.[2]

MUDRA MITRA is a Mobile phone application available in Google Play Store and Apple App Store, providing information regarding ‘Micro Units Development and Refinance Agency (MUDRA)’. It guides a loan seeker to approach a Banker availing MUDRA loan under PMMY. Users can also access useful loan materials including sample loan application.

We believe that schemes like PMMY will hugely benefit small manufacturing units and self-employed individuals in rural and semi urban areas with financial inclusions of up to Rs. 10 Lakh. The transition from informal to formal organization supercharges the economy leading to substantial business progress in India. [5]

II. Progress Of Pm my Performance In South India:

The analysis of PMMY report shows that both Tamil Nadu and Karnataka have more number of beneficiaries in South Indian states. The tables mentioned below tell about the PMMY performance on SHISHU, KISHOR and TARUN and the result would be in all these categories. [7]

TABLE 1: PMMY ANALYSIS REPORT ON SHISHU

Shishu (Loans covering up to Rs. 50,000/-)	Tamil Nadu	Kerala	Karnataka	Andhra Pradesh	Telangana	Total
Number of Sanctions	2583114	610467	2246884	213465	72042	5725972
Sanctioned Amount (In Crore)	6654.64	1387.65	5669.97	706.13	205.33	14623.72
Disbursement Amount (In Crore)	6636.25	1353.20	5583.48	678.49	198.49	14450.39

TABLE 2: PMMY ANALYSIS REPORT ON KISHOR

Kishor (Loans covering above Rs. 50,000 and below Rs. 5Lakh /-)	Tamil Nadu	Kerala	Karnataka	Andra Pradesh	Telagana	Total
Number of Sanctions	182539	126985	226903	179046	50345	765818
Sanctioned Amount (In Crore)	2952.41	2054.20	3244.25	3000.92	998.42	12250.2
Disbursement Amount (In Crore)	2814.72	2019.35	3101.87	2549.12	961.54	11446.6

TABLE 3: PMMY ANALYSIS REPORT ON TARUN

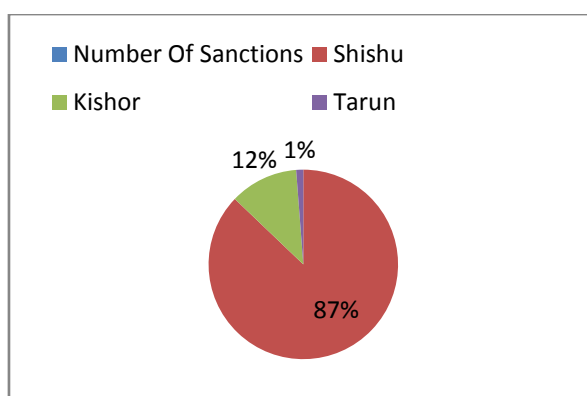
Tarun (Loans covering above Rs. 5 Lakh and below Rs. 10 Lakh)	Tamil Nadu	Kerala	Karnataka	Andra Pradesh	Telagana	Total
Number of Sanctions	20382	10930	29931	10581	7852	79676
Sanctioned Amount (In Crore)	1602.44	875.28	2306.06	837.06	619.21	6240.05
Disbursement Amount (In Crore)	1550.88	837.33	2205.29	798.13	600.72	5992.35

TABLE 4: TOTAL PERFORMANCE ANALYSIS OF PMMY

Total Loans	Tamil Nadu	Kerala	Karnataka	Andhra Pradesh	Telangana	Total
Number of Sanctions	2786035	748382	2503718	403092	130239	6571466
Sanctioned Amount (In Crore)	11209.29	4317.12	11220.27	4544.12	1822.96	33113.96
Disbursement Amount (In Crore)	11001.85	4209.87	10890.64	4026.13	1760.75	31889.24

We all know that India is a densely populated large country with more number of people self-employed who are under poverty line. The main aim of PMMY scheme is for the upliftment of these downtrodden people. Therefore to maximize the reach of the scheme to more number of people, the government has very well planned to issue more number of loans under Shishu Scheme.

Under the categories of PMMY, Shishu categories got the maximum beneficiaries of about 87%. The categories of Kishor and Tarun would be 12% and 1% respectively which clearly shows in the pie chart. As said earlier the main focus of PMMY Categories would be Shishu would be large so as to avoid the debt from usurers.



III. Conclusion

Prime Minister on his fourth Independence Speech on August 15, 2017 said that “over the past three years, PMMY has led to millions and millions of youth becoming self dependent. It’s not just that, one youth is providing employment to one, two or three more people.” These remarks emerge out of the assumption that each loan under PMMY leads to create self employment among youths. Anbu Kamal Raj, Bank Manager from INDIAN BANK said that under PMMY loans, small scale entrepreneurs are still not aware of about this and many have doubts how to take loans for smaller amounts. Still we need to create awareness among youths via social media. Once, the mass media take up an initiative to reach this program to the end customers, the many people take up this loan and yields to avoid the money from usurers. In a densely populated country like INDIA is very difficult to create the enormous jobs to both educated and uneducated people. Instead of creating the jobs, this PMMY is useful to create many entrepreneurs and which yields to create enough jobs especially in a small scale. Once the beneficiaries whom are availed are used this loan to new heights definitely this PMMY scheme would be another way of GRAMIN bank, Bangladesh.

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