



# An Empirical Analysis on Role of Pradhan Mantri MUDRA Yojana (PMMY) in Minorities' Economic Development in India

**Dr.S.Manikandan,**

Assistant Professor,

Department of B.Com with Professional Accounting  
KG College of Arts and Science, Coimbatore,.

## ABSTRACT

Pradhan Mantri Mudra Yojana (PMMY) was launched on 8th April 2015 by the Hon'ble Prime Minister, Shri Narendra Modi. The PMMY issued by Department of Financial Services (DFS), Government of India (GOI) indicated that all banks are required to lend to micro enterprises engaged in manufacturing, processing, trading and service sector activities, for a loan upto ₹ 10 lakh. Mudra was planned to monitor the progress of PMMY. The setting up of PMMY sought to fill the credit gaps in small, micro and tiny enterprises to promote economic activity. Another prime objective of PMMY is providing financial support to women entrepreneurs for both financial inclusion and empowerment. The present study focuses on the growth of Minority Entrepreneurs in India through PMMY Scheme during 2015-16 to 2020-21. To analyse the data simple percentage analysis is used in the study.

**Keywords:** PMMY, NBFC, Minority

## Introduction:

India is one of the fastest developing economies in the world which had the highest growth rates in the world during the financial year 2016-2017. The Economic Forecast Summary by Economic Co-operation and Development indicates that economic growth is witnessed to remain strong, and India will remain the fast-growing G20 economy. The growth of India is getting a hope as private investment is recovering gradually, and excess capacity of business is also on the ascending trend and the Goods and Services Tax (GST) and other measures are adding their share of strength to improve the business. It is also revealed that about 90 percent of micro enterprises are the pillars that contribute to Indian economy. The micro enterprises have continuous growth despite issues like non-availability of credit, limited market linkages, technology obsolescence, etc.

**Pradhan Mantri MUDRA Yojana (PMMY):**

Honorable Prime Minister launched Pradhan Mantri MUDRA Yojana under MUDRA bank which will encourage small manufacturing units and self-employed individuals in rural and urban area with financial assistance upto INR. 10 lakhs. The Government of India initiated the Micro Units Development and Refinance Agency Ltd (MUDRA) in 2015-2016 with the mandate of 'Funding the Unfunded' micro entrepreneurs.

Pradhan Mantri MUDRA Yojana (PMMY) is a scheme which was launched by the Honorable Prime Minister Shri Narendra Modi on 8<sup>th</sup> April 2015. The Union Budget presented by the Honorable Finance Minister Shri Arun Jaitley for the financial year 2015 – 2016 announced the formation of MUDRA bank. Accordingly, MUDRA was registered as a company in March 2015 under the Companies Act 2013 and as a Non-Banking Finance Institution with the Reserve Bank of India on 7<sup>th</sup> April 2015. The scheme provides loans upto ₹ 10 lakh to the non-corporate, non-farm small and micro enterprises. These loans are given by Commercial Banks, Regional Rural Banks, Small Finance Banks, Micro Finance Institutions and Non-Banking Financial Companies. The loan borrower can receive loan by approaching from any of these lending institutions or can apply through online portal [www.udyamimitra.in](http://www.udyamimitra.in). Under the support of PMMY, MUDRA bank has created three initiative products, namely 'SHISHU', 'KISHORE' and 'TARUN' to determine the stage growth and funding needs of the beneficiary.

These three categories are to satisfy the funding needs of the existing small, medium and micro unit entrepreneurs, the persons who want to start new business units or to provide service, to generate new employment opportunities and also provide a reference point for the next phase of growth.<sup>6</sup>

**SHISHU**

This is an infant stage of financial support which covers loan amount upto ₹ 50,000 that will be sanctioned without any collateral security. This is the first stage when the business is just starting up. The rate of interest charged under this category by the bank is around 10 percent to 12 percent. The public sector banks are charging lower rate of interest when compared to other banks and financial institutions.

**KISHORE**

This is a youth stage of financial support which covers the loan amount about ₹ 50,000 upto ₹ 5 lakh. Under this mid – stage the finance seekers or those who had already started business can avail the credit. The rate of interest under this category is around 14 percent to 17 percent depending on bank to bank.

**TARUN**

This is an adult stage of financial support which covers loan amount about ₹ 5 lakh upto INR.10 lakh. Under this category the businessmen who want to expand their business can avail the credit. The rate of interest starts at 16 percent depending on bank to bank.

It should be noted that 60 percent of the credit flows to SHISHU category units and the balance to KISHORE and TARUN categories are ensured. The objectives of these products are designed in focusing the development

and growth of micro enterprises to meet the requirements of different sectors, business activities as well as business segment.

Moreover, around 55 percent of the borrowers are from SC/ST/OBC category that indicates the fulfillment of social objectives. MUDRA would be responsible for developing and refinancing all Micro enterprises sector. Microfinance is an economic development tool whose objective is to provide income generating opportunities to the people at the bottom of the pyramid. It covers a wide range of services which include provision to credit, credit plus services, financial literacy and other social support services.

- MUDRA's refinance support has facilitated cheaper funds to lending institutions for expanding their lending upto ₹ 10 lakh. This has further helped reducing cost to ultimate borrower.
- Close monitoring of lending at ground level through PMMY has resulted in cumulative lending of ₹ 6.88 lakh crore to 14.45 crore borrowers (as on 31/10/2018). Of these, 74 percent borrowers were women, 28 percent were new loan accounts and 55 percent SC/ST/OBC category.
- MUDRA has disbursed refinance of ₹ 17045.64 crore (including securitization transaction of ₹ 1334.90 Crore) till October 31, 2018 to various MFIs, NBFCs, Scheduled Commercial Banks including Regional Rural Banks and Small Finance Banks.

#### **Pradhan Mantri MUDRA Yojana (PMMY) for Minorities:**

The financial institutions in order to promote women entrepreneurship in the country the institutions extend Mudra loan for minorities under this scheme. Under the scheme for aspiring minority entrepreneurs can avail funds up to ₹ 10 lakh to start a small or micro-enterprise, provided it is a non-corporate or a non-farm business. The scheme has already benefitted numerous businesses with loans worth ₹ 3,37,495 crore sanctioned in 2019-20 and ₹ 3,21,722.79 crore sanctioned in 2018-19. Out of the total of 5.73 crore accounts about 0.4 crore minorities were funded under PMMY scheme. The borrowers from Minorities category accounted for 8% in terms of both number of accounts and amount respectively in FY 2020-2021 under PMMY.

#### **Objectives of the Study:**

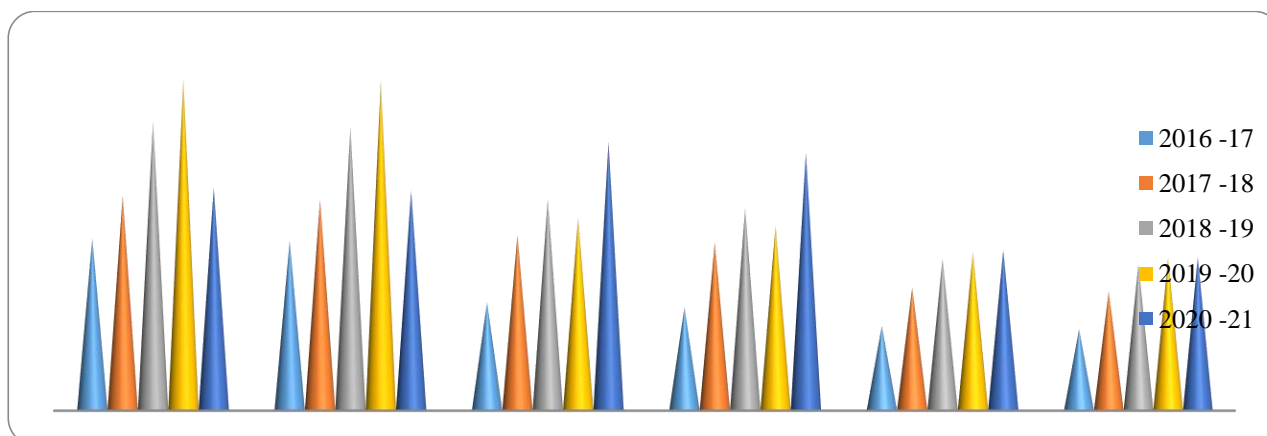
- To study the growth of PMMY scheme under each categories.
- To examine the growth of Minority Entrepreneurs in India through PMMY Scheme during 2016-17 to 2020-21.
- To analyse the role of each categories of PMMY Scheme in generating the growth of Minority Entrepreneurs in India.

#### **Methodology:**

The study covers the period of 2016-17 to 2020-21 and the data is based on the secondary data which is collected from [www.mudra.org](http://www.mudra.org). To analyse the data statistical tools such as Compound Growth Rate is used in the study.

**TABLE I: Growth of PMMY Scheme under Number of Accounts, Amount Sanctioned and Amount Disbursement****(₹ Crore)**

Financial Year		2016 -17	2017 -18	2018 -19	2019 -20	2020 -21
SHISHU	No. of A/Cs	3,64,97,813	4,26,69,795	5,15,07,438	5,44,90,617	4,01,80,115
	Sanctioned	85,100.74	1,06,001.60	1,42,345.25	1,63,559	1,09,953
	Disbursed	83,891.88	1,04,228.05	1,39,651.55	1,62,813	1,08,637
KISHORE	No. of A/Cs	26,63,502	46,53,874	66,06,009	64,71,873	94,86,160
	Sanctioned	53,545.14	86,732.16	1,04,386.68	95,579	1,32,516
	Disbursed	51,063.12	83,197.09	99,868	91,427	1,27,240
TARUN	No. of A/Cs	5,39,732	8,06,924	17,56,871	12,85,116	10,68,771
	Sanctioned	41,882.66	60,943.34	74,990.86	78,358	79,290
	Disbursed	40,357.13	59,012.25	72,291.84	75,475	75,877

**Source: Secondary data****Chart - I  
Growth of PMMY Scheme of Each Category**

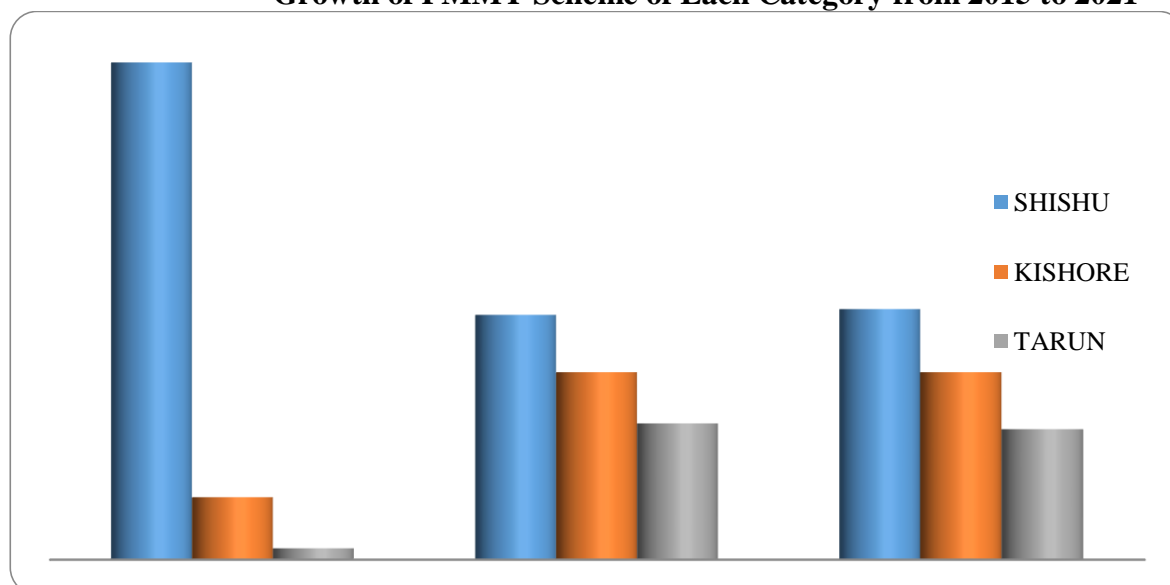
In the year 2016 – 2017 about 37.22 percent, 2017 – 2018 about 54.48percent, 2018 – 2019 about 31 percent, 2019 – 2020 about 41 percent and 2020 – 2021 about 49percent of loan amount sanctioned was the share of minority borrowers in total loan amount sanctioned under MUDRA scheme. MUDRA started with 160 institutions enrolled with including 88 banks (27 public sector banks, 17 private sector banks, 31 regional rural banks, 13 state and urban co-operative banks, 46 MFIs and 26 NBFCs) as partners for refinancing against their lending to micro entrepreneurs. The PMMY Scheme of Government of India has been improving from year to year continuing its agenda of “Funding the Unfunded”.

**TABLE II : Growth of PMMY Scheme under Number of Accounts, Amount Sanctioned and Amount Disbursement**

Loan Category	No. of Accounts	%	Amount Sanctioned	%	Amount Disbursed	%
SHISHU	25,77,46,824	87	6,69,855	43	6,61,250	44
KISHORE	3,19,50,879	11	5,15,811	33	4,93,868	33
TARUN	58,67,831	2	3,66,967	24	3,52,867	23
<b>TOTAL</b>	<b>29,55,65,534</b>	<b>100</b>	<b>15,52,633</b>	<b>100</b>	<b>15,07,985</b>	<b>100</b>
Women	19,98,02,912	68	6,75,246	43	6,41,980	43
New Entrepreneur	6,80,71,751	23	5,20,692	34	4,97,865	33
Minority	14,98,81,349	51	5,25,528	34	5,12,665	34

Source: Secondary data

**Chart - II**  
Growth of PMMY Scheme of Each Category from 2015 to 2021



Under PMMY scheme Shishu category plays an important role in disbursement of loan. Out of total number of loan accounts under PMMY scheme 87% of loan accounts are shishu category, 11% under Kishore category and 2% under Tarun category.

Now a days most of women entrepreneurs are borrow loan under this scheme. 68% of loan accounts are having women entrepreneurs and 51% of loan accounts are having minorities like SC/ST and OBC category.

### Conclusion:

The study concluded that Pradhan Mantri Mudra Yojana (PMMY) scheme is an initiative taken by the Government of India. It was identified that the microfinance institutions will help the minority entrepreneurs will improve their socio-economic status. MFIs contributed significantly for financing minority under PMMY. About

51 percent minority borrowers are benefitted under MUDRA loans which was given by Commercial Banks, Regional Rural Banks, Small Finance Banks, MFIs and NBFCs.

**References:**

1. Annual Report of Mudra Scheme 2020-21
2. Annual Report of Mudra Scheme 2019-20
3. Annual Report of Mudra Scheme 2015-16
4. Annual Report of Mudra Scheme 2016-17
5. Annual Report of Mudra Scheme 2017-18
6. [www.mudra.org](http://www.mudra.org)