

## Assessment of Functioning of Mudra Loans in Telangana

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### Abstract

Financial Inclusion is one of the most treasured strategies in India. Our monetary arrangement has dependably been driven by a basic plan of a practical and comprehensive development. The primary point behind the monetary consideration is to cover the all segment of population under monetary administrations. Government of India (GOI) has introduced some of the major steps to “fund the unfunded” micro enterprises segment. One of the initiatives taken by Government of India (GOI) is Pradhan Mantri Mudra Yojana (PMMY) which plays an important role in achieving the success of financial inclusion. The idea behind the scheme is to provide the credit requirement to small business upto 10 lakhs. This research paper includes the overview of PMMY, allocation of PMMY beneficiaries’ caste wise and performance analysis of the scheme in Telangana state. And SWOT analysis of PMMY Scheme

### Introduction

As per NSSO survey (2013), there are around 5.77 crore small/micro units in the country, engaging around 12 crore people, mostly individual proprietorship/Own Account Enterprises. Over 60% of units are owned by persons belonging to Scheduled Caste, Scheduled Tribe or Other Backward Classes. The financial inclusion in India has increased in the last few years with new innovations like mobile banking, ultra-small branches etc, and Mehar L (2014) .Most of these units are outside the formal banking system, and hence are forced to borrow from informal sources or use their limited owned funds. MUDRA Loan Scheme has been proposed to bridge this gap. MUDRA Loan Scheme will aim to increase the confidence of the aspiring young person to become first generation entrepreneurs as also of existing small businesses to expand their activities. The Design of MUDRA scheme will not only caters to the financial problems of MSMEs but also give moral support to a lot of young population to become an entrepreneur. Verma S. (2015)

MUDRA loans are extended by banks, NBFCs, MFIs and other eligible financial intermediaries as notified by MUDRA Ltd. Pradhan Mantri Micro Units Development Refinancing Agency (MUDRA) Yojana (PMMY) announced by the Hon'ble Prime Minister on 8th April 2015, envisages providing MUDRA loan, upto ` 10 lakh, to income generating micro enterprises engaged in manufacturing, trading, and services sectors. The overdraft amount of ` 5000 sanctioned under PMJDY has been also classified as MUDRA loans under Prime Minister MUDRA Yojana (PMMY). The MUDRA loans are extended under following three categories:

#### Categories under PMMY:

- Loans upto ` 50,000/- (*Shishu*)
- Loans from ` 50,001 to ` 5 lakh (*Kishore*)
- Loans from ` 5,00,001/- to ` 10 lakh (*Tarun*)
- No collateral/security is required from the borrowers by Banks/NBFCs under this scheme.

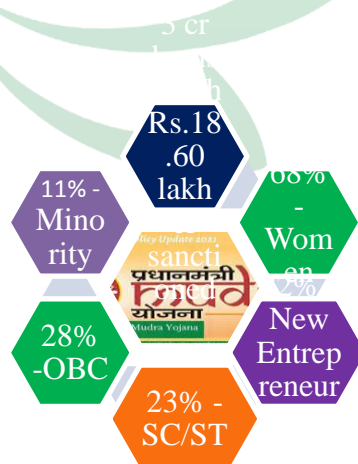
#### Results and Discussions

#### Allocation of PMMY loan to beneficiaries based on Caste and Category

#### Eligible borrowers Category wise

- Individuals
- Proprietary concern.
- Partnership Firm.
- Private Ltd. Company

#### Eligible borrowers Category wise



**Fig:1 Percentage of loan availed to different beneficiaries based on caste and categories**  
**SWOT Analysis of PM Mudra Yojana**

<p><b>Strengths</b></p> <ol style="list-style-type: none"> <li>1. The scheme can give support and empower the needy people and small business.</li> <li>2. The scheme having the Interest rates which are nominal.</li> <li>3. It also makes a credit guarantee to the one who has taken the loan. It means that the person will not only go into debts.</li> <li>4. The government will also have to bear the responsibility of the loan.</li> </ol>	<p><b>Weakness</b></p> <ol style="list-style-type: none"> <li>1. There can be a potential of conflict of interest due to the nature of roles and responsibilities of MUDRA Bank.</li> <li>2. There can be the promotion of shadow banking.</li> <li>3. There can be multiple regulators for MFIs.</li> <li>4. There is unawareness about the scheme.</li> </ol>
<p><b>Opportunities</b></p> <ol style="list-style-type: none"> <li>1. There can be more focus on job creation</li> <li>2. There can be an extension of the Scheme to personal sector other than farms and factories.</li> <li>3. There can be more collaboration with the MFIs.</li> <li>4. There can be more encouragement for women entrepreneurs and can be attached to the scheme.</li> </ol>	<p><b>Threats</b></p> <ol style="list-style-type: none"> <li>1. There is a better solution to finance micro and small businesses.</li> <li>2. There are number of already existing refinancing agencies.</li> <li>3. There can be confusion due variable interest rates.</li> </ol>

Public Company. Any other legal forms. The applicant should not be defaulter to any bank or financial institution and should have a satisfactory credit track record. The individual borrowers may be required to possess the necessary skills/experience/ knowledge to undertake the proposed activity. The needs for educational qualification, if any, need to be assessed based on the nature of the proposed activity, and its requirement. PMMY can bring a desired



transformation, If twill be applied properly at the bottom level,itmay act as a game changing idea and boost the Indian economy. It should include less documentation and easily accessible. In coming few years, MUDRA will play a crucial role for the development of entrepreneurship, increase in GDP and development of employment. Rudrawar, M. A. A. and Uttarwar, V. R. (2016)

Need based term loan/OD limit/composite loan to eligible borrowers for acquiring capital assets and/or working capital/marketing related requirements. The MUDRA loans are provided for income generating small business activity in manufacturing, processing, service sector or trading. The Project cost is decided based on business plan and the investment proposed. MUDRA loan is not for consumption/personal needs. For the purpose of working capital limit, MUDRA has launched a new product called “MUDRA Card”, which is a Debit card issued on RuPay platform, and provides hassle free credit in a flexible manner.

## List of Beneficiary of PM-MUDRA Scheme in Telangana

Amount: In Crores

Year	Sishu			Kishore			Tarun		
	No.of Sanctions	Sanctioned amount	Disbursed amount	No.of Sanctions	Sanctioned amount	Disbursed amount	No.of Sanctions	Sanctioned amount	Disbursed amount
<b>2018-19</b>	786781	2240.39	2231.33	161329	3035.29	2969.32	34094	2503.95	2460.24
<b>2019-20</b>	1213412	3722.14	3707.55	176702	2768.75	2693.94	45512	2637.35	2585.34
<b>2020-21</b>	443057	737.32	696.04	150057	3099.52	3010.97	43105	3111.05	3058.02
<b>2021-22</b>	356919	974.18	953	139872	2506.15	2435.63	36754	2688.52	2621.84

**Conclusion:**

The study concluded that PMMY is a great initiative taken by the GOI. Due to it, there is a big change in the area of microfinance. The scheme will help the weaker section, low-income group and unfunded population and also will increase the competition. Financial inclusion through PMMY increases the opportunities for credit requirement and refinance. The introduction of the national plan PMMY with other type of financial inclusion initiative, yield valuable result. The PMMY conspire is certain to take our country forward to the future. MFIs contributed significantly for the financing women under PMMY. It perceives that because of dispatch of this plan, monetary consideration has expanded towards positive heading. So it can say that if it is implemented properly, it may work as a game changing financial inclusion initiative of Government of India and may boost the Indian

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