

Efficacy of Mudra Yojana of funding the unfunded on women empowerment

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Abstract: - Women empowerment and economic development are closely related, and through various schemes the Government of India is continuously making efforts to empower women since independence. However, over the years there has been a remarkable shift from welfare to development oriented approach by becoming more responsive to the need of poor women for earning incomes by making relatively small investments. Accordingly, Government of India launched Pradhan Mantry Mudra Yojana (PMMY) on April 8, 2015 to fund the unfunded who intended to contribute to the economy but still left to get the benefit of easy access to the credit. The PMMY scheme envisages extending affordable credit up to Rs. 10 lakh for non-farming income and employment generating activities. The loan scheme has been grouped in three products of Shishu (covering loans up to Rs. 50,000/-), Kishore (loan more than Rs. 50,000 and up to 5.0 lakh), and Tarun (above 5.0 lakh and up to 10.0 lakh) to signify the stage of growth/development and funding needs of the beneficiary micro-entrepreneurs. The unique feature of the scheme is that almost three-fourth account holders are women. The scheme has completed four years of its existence and supported 17.68 crore micro-entrepreneurs with a total loan of Rs. 854,249 crores. Thus, a study was made to assess the effectiveness of the Scheme in achieving its objective of empowering women in employment generating activities. The study found that the Pradhan Mantry Mudra Yojana (PMMY) is a unique initiative which pins hopes on the skill and strength of the poor, neo-middle and middle class to create an inclusive, sustainable and value based entrepreneurial culture in achieving economic success and financial security for weaker section of the society including women. Although, 73.6% beneficiaries of the scheme were women but their share to disbursed loan amount was just 43.5%. The average amount of Rs. 26,747 disbursed to women entrepreneurs appears insufficient to begin a viable micro-enterprise and empower women. The numbers of large size loans or disbursement that exceeds Rs. 5.0 lakh and can generate employment among women were less than 0.2%. Thus, the objective of women empowerment under PMMY could only be achieved if more Tarun loans of more than Rs. 5.0 lakh are promoted among the women entrepreneurs after devising an inbuilt mechanism of skill development training and mentoring of women under Mudra Yojana.

Introduction

Empowerment, in general, is a process which helps people to assert their control over the factors which affect their life including control over the resources, ideology that leads to growing intrinsic capabilities of greater self confidence, and an inner transformation of one's consciousness (Sen and Baltiwala, 2000). And, the Constitution of India enshrined the principle of equality in its Preamble, Fundamental Rights, Fundamental Duties and Directive Principles, but the studies shows that

women in India are relatively disempowered and they enjoy somewhat lower status than that of men (Nayak and Mahanta, 2009). In addition, women are underrepresented in India's service sector with participation ranging from only 3 to 12% due to the lack of education and support. Majority of women in rural areas are engaged in no paid household works or lesser paid jobs in agriculture and other unorganized sectors. But, rural jobs have been decreasing and not enough rural women have been able to make the transition to working in urban areas. As a result, the ongoing rapid urbanization in

the country has yet to encourage more women to join the work force.

Women empowerment and economic development are closely related. Development alone can play a major role in driving down inequality between men and women while empowering women may benefit development. Thus, since independence, the Government of India has been continuously making various efforts to empower women, but such projects, often failed because they were motivated by welfare and not development concerns. However, from fifth five year plan onwards there has been a remarkable shift from welfare oriented approach of women empowerment to development approach. And, the development agencies have responded to the need for poor women to earn incomes by making relatively small investments in income-generating projects. This paradigm resulted into launch of many government schemes and plans to facilitate easy credits to enterprising women from various socio-economic backgrounds. Pradhan Mantri Mudra Yojana (PMMY) is a recent flagship scheme of the Government of India launched on April 8, 2015 to fund the unfunded who intended to contribute to the economy but still left to get the benefit of easy access to the credit. According to NSSO survey (2013) there are 5.77 crore small business units, mostly individual proprietorship or Own Account Enterprises (OAE) consisting of 30% manufacturing, 34% trading and 36% service sectors. This sector is perhaps one of the largest disaggregated business ecosystems in the world providing employment to nearly 10 crore people and sustaining around 50 crore lives, but have limited access to credit mostly from non-formal lenders, or friends and relatives. As a result, large portion of this segment remains unfunded and the productive workforce continues to be underutilized.

The PMMY scheme envisages bringing such enterprises to the formal financial system by extending affordable credit up to Rs. 10 lakh for non-farming income and employment generating activities. The loan scheme has been grouped in three products of Shishu (covering loans up to Rs. 50,000/-), Kishore (loan more than Rs. 50,000 and up to 5.0 lakh), and Tarun (above 5.0 lakh and up to

10.0 lakh) to signify the stage of growth/development and funding needs of the beneficiary micro-entrepreneurs.

The scheme has completed four years of its existence and supported 17.68 crore micro-entrepreneurs with a total loan of Rs. 854,249 crores. The unique feature of the scheme is that almost three-fourth account holders are women. However, the loan amount sanctioned and disbursed to women entrepreneurs was less than half of the total loan amount under the Mudra Yojana. Since, providing financial autonomy to gain access and control over the resources is one of the major dimensions towards women empowerment, the scheme needs critical examination to understand the patterns in loan account and loan disbursement to women entrepreneurs. Thus, the study was conducted to assess the effectiveness of Pradhan Mantri Mudra Yojana (PMMY) in empowering women by providing credit facility for establishing or upgrading micro-enterprises and women oriented job opportunities.

Material and Methodology

The overall development of human being is not possible without empowering women. And, the women empowerment means developing them politically active, economically productive, independent, aware, and capable to make intelligent decisions on matters that affect them. Women empowerment and economic development are closely related. Thus, Government of India launched Pradhan Mantri Mudra Yojana (PMMY) on April 8, 2015 to fund the unfunded by facilitating easy credits to enterprising people from various socio-economic backgrounds with major beneficiaries from women and backward class. To assess the performance of PMMY in empowering women, the data available on the Annual Reports of Mudra Yojana for the period of three years from 2015-16 to 2017-18 were used. The important data includes the number of loan accounts, amount sanctioned, amount disbursed and outstanding loans at the end of financial year under three product categories of Shishu, Kishore and Tarun (Annual Report 2015-16, 2016-17, and 2017-18). The data was analyzed to understand the pattern and

proportion of loans to women entrepreneurs and compare them with men entrepreneurs. The weighted mean has been used to calibrate the average value for the attributes and the pooled values.

Results and Discussions

Number of Micro-borrowers

In total, the credit facilities under PMMY were granted to 12.77 crores micro-entrepreneurs by the end of FY 2017-18 and 17.68 crores by FY 2018-19, and out of total account holders, almost 73.6% were women. Over the years, the total number of accounts gradually increased from 3.488 crores in FY 2015-16 to 3.970 crore in FY 2016-17 and 4.413 crores in FY 2017-18 at an average growth rate of 0.66 crores/year. Almost similar trend was observed for the women entrepreneurs. The number of women beneficiaries increased from 2.763 crores in FY 2015-16 to 3.356 crores in FY 2017-18 at an average growth rate of 0.296 crore/year. However, the proportion of women accounts to total accounts gradually declined at an average rate of 4.75%/year from 79.2% in FY 2015-16 to 69.7% in FY 2017-18.

Further, among the three products of the scheme almost 90.95% of total accounts were under Shishu, 7.58% under Kishore and only 1.47% accounts under Tarun loans. However, it was 97.1% under Shishu, 2.65% under Kishore and just 0.2% under Tarun for women entrepreneurs. Probably, this is mainly due to high share of Micro-Finance Institutions (MFIs) in Shishu loans where women are the major beneficiaries. Further, the proportion of women beneficiaries over the years decline by 4.15%/year from 83.6% in FY 2015-16 to 75.3% in FY 2017-18 for Shishu loans, declined by 1.4%/year from 12.6% in FY 2015-16 to 9.8% in FY 2017-18, but increased by 2.9%/year from 22.9% in FY 2015-16 to 28.7% in FY 2017-18.

Overall, providing financial support to women enterprises was one of the main objectives of the Mudra Yojana. And, the initiative successfully streamlined more than nine crores intended women entrepreneurs into formal financial net and provided financial freedom towards women empowerment.

But, gradual decline in proportion of women beneficiaries needs reasoning and investigations to overturn the pattern.

Sanction and disbursement of loans

In total, Rs. 571,655 crores was sanctioned to 12.27 crore micro-entrepreneurs by the end of FY 2017-18 and Rs. 854,249 crores to 17.68 crores beneficiaries by FY 2018-19 under Mudra Yojana (Table 2, Fig 2). The average share of amount sanctioned to women entrepreneurs (73.6% of total entrepreneurs) was just 46.5%. Over the years, the total amount sanctioned under the PMMY yojana increased at an average rate of Rs. 58, 109 crores/year from Rs. 137,499 crores in FY 2015-16 to Rs. 253,677 crores in FY 2017-18. Similarly, the loan sanctioned to women entrepreneurs increased by Rs. 19,537 crores/year from Rs. 64,180 crores in FY 2015-16 to Rs. 103,254 crores in FY 2017-18. However, the share of women entrepreneurs to total loan sanctioned declined gradually by 3%/year from 46.7% in FY 2015-16 to 40.70% in 2017-18.

During three years period of FY 2015-16 to 2017-18, the amount sanctioned to women entrepreneurs increased from Rs. 51,040 crores to Rs. 80,372 crores for Shishu loans, and Rs. 9,068 crores to Rs. 16,587 crores for Kishore loan, and Rs. 4,077 crores to Rs. 6,296 crores for Tarun loans. But, the overall proportion of the amount sanctioned to women entrepreneurs declined from 81.15% to 75.82% under Shishu loans, 21.06% to 19.12% under Kishore loans, and 12.94% to 10.33% under Tarun loans. Furthermore, out of total loan sanctioned to women, the share of different products varies from 77.84% to 83.45% for Shishu loans, 11.88% to 16.06% for Kishore loans and 4.67% to 6.35% for Tarun loans. In contrast, the share of loan sanctioned to men entrepreneurs under different product varies from 16.18% to 18.06% for Shishu loans, 43.90% to 46.63% for Kishore loans and 36.33% to 38.04 for Tarun loans.

Almost similar trend was found for disbursement of the loans to the beneficiaries. Overall, 97% of the total amount sanctioned to the PMMY account holders (Table 3, Fig. 2, and Fig. 3). In addition, during last three years, the average disbursement

per loan account was just Rs 45,204 and varied from Rs. 22,421 for Shishu, Rs. 1.87 lakh for Kishore, and Rs. 7.35 lakh for Tarun loans. And, the disbursement made to women entrepreneurs was lesser than men counterpart by 2.1% for Shishu, 33.4% for Kishore, and 4.6% for Tarun loans.

The Mudra scheme is aimed at improving the credit flow to the people engaged in non-farm income and employment generating activities and intended to replace high cost borrowings from money lenders with formal funding channels that are cheaper. Although, the scheme could be considered success for mainstreaming 12.27 crores unfunded people including 9.03 crores women to formal financial net, but the average sanctioned amount of Rs. 46,585 (Rs. 29,416 for women) and disbursed amount of Rs. 45,204 (Rs. 26,747 for women) could not be considered enough to launch a start-up that could provide jobs to others. Further, this amount is much lower than the average per capita income of Rs. 1.11 lakh for 2017-18. In addition, the average numbers of large size loans or disbursement that exceeds Rs. 5.0 lakh and can generate employment is just 1.47% under PMMY, and among the women it is less than 0.2%.

Outstanding Amount

In total, Rs. 449,615 crores is outstanding against the Mudra Yojana beneficiaries for the loan disbursement made in last three years (FY 2015-16 to 2017-18). The outstanding loan is more than 81% of the total disbursement made in last three years (Table 4, Fig 2, and Fig 3). In comparison, the outstanding liability is 78% for women account holders. Over the years, the outstanding loan increased at an average rate of Rs. 46,410 crores/year from Rs.109,293 crore in FY 2015-16 to Rs.202,113 crores in FY2017-18. In contrast, the outstanding loan against men-entrepreneurs increased by Rs. 32,730 crores/year from Rs.61,512 crores in FY 2015-16 to Rs. 126,980 crore in FY 2017-18. And, among different products, the outstanding amount increased at Rs. 14,920 crores/year for Shishu loan, Rs. 18,470 crore/year for Kishore loans and Rs. 13010 crores for Tarun loans over the period. In addition, the share of outstanding loan is 40.9% for Shishu, 34.3% for

Kishore and 24.8% for Tarun loans. In contrast, the proportion was 16.9% for Shishu, 44.7% for Kishore and 38.4% for Tarun loans among the men-entrepreneurs.

Overall, the average outstanding loan per entrepreneur at the end of the three year period is Rs. 36,640 which is 81% of the average disbursement. And, the average outstanding loan against women borrowers is just Rs. 20,862 in comparison to Rs. 80,657 against men entrepreneurs (Fig. 5). Since, the government wanted to sanction the loans to anyone who comes to the bank, even without viable business plan, a lot of Mudra loans were being issued against the banking principles. As a result, many start-ups became non-viable and the Mudra loans turned up as bad loans. And, loan worth Rs. 3790 crores at the end of FY 2016-17 and Rs. 7277 crores at the end of FY 2017-18 have turned bad. Although, the Mudra loans seem to have done well in keeping the non-performing assets (NPA) below 5.4% in comparison to NPA of more than 10% on other bank loan, but institutions monitoring banking sectors of India have raised concerns about Mudra loans becoming big liability for the banks in future if remedial measures are not adopted. For this, independent feasibility, viability and desirability evaluation of the start-up projects besides skill development trainings should be incorporated in the loan sanctioning process.

Conclusion

In conclusion, Pradhan Mantry Mudra Yojana (PMMY) is a unique initiative which pins hopes on the skill and strength of the poor, neo-middle and middle class to create an inclusive, sustainable and value based entrepreneurial culture in achieving economic success and financial security for weaker section of the society including women. Although, 73.6% beneficiaries of the scheme were women but their share to disbursed loan amount was just 43.5%. The average amount of Rs. 26,747 disbursed to women entrepreneurs appears insufficient to begin a viable micro-enterprise and empower women. The numbers of large size loans or disbursement that exceeds Rs. 5.0 lakh and can generate employment among women were less than 0.2%. Thus, the objective of women empowerment

under PMMY could only be achieved if more Tarun loans of more than Rs. 5.0 lakh are promoted among the women entrepreneurs after devising an inbuilt mechanism of skill development training and mentoring of women under Mudra Yojana.

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Table 1. Number of accounts (in crores) funded under Pradhan Mantri Mudra Yojana (PMMY) during 2015-16 to 2017-18.

Category	Product	2015-16	2016-17	2018-19	Total
Women	Shishu	2.710	2.847	3.214	8.772
	Kishore	0.047	0.062	0.134	0.243
	Tarun	0.005	0.005	0.008	0.018
	Total	2.763	2.915	3.356	9.033
Men	Shishu	0.530	0.803	1.053	2.385
	Kishore	0.160	0.204	0.332	0.695
	Tarun	0.036	0.049	0.073	0.158
	Total	0.725	1.055	1.457	3.238
All	Shishu	3.240	3.650	4.267	11.157
	Kishore	0.207	0.266	0.465	0.939
	Tarun	0.041	0.054	0.081	0.176
	Total	3.488	3.970	4.813	12.271

Table 2. Amount sanctioned (Rs. in Crores) for credit to Micro-enterprises under Pradhan Mantri Mudra Yojana (PMMY) during 2015-16 to 2017-18.

Category	Product	2015-16	2016-17	2018-19	Total
Women	Shishu	51,040	66,998	80,372	198,410
	Kishore	9,068	9,542	16,587	35,197
	Tarun	4,077	3,750	6,296	14,122
	Total	64,180	80,290	103,254	247,724
Men	Shishu	11,860	18,103	25,630	55,593
	Kishore	33,985	44,004	70,145	148,133
	Tarun	27,425	38,133	54,648	120,205
	Total	73,269	100,239	150,423	323,931
All	Shishu	62,895	85,101	106,002	253,997
	Kishore	43,053	53,545	86,732	183,330
	Tarun	31,502	41,883	60,943	134,328
	Total	137,449	180,529	253,677	571,655

Table 3. Total credit actually disbursed (Rs. in Crores) to micro-enterprises under Pradhan Mantri Mudra Yojana (PMMY) during 2015-16 to 2017-18.

Category	Product	2015-16	2016-17	2018-19	Total
Women	Shishu	50,640	66,186	78,922	195,748
	Kishore	8,675	8,733	15,750	33,158
	Tarun	3,875	3,331	5,499	12,705
	Total	63,190	78,250	100,171	241,611
Men	Shishu	11,388	17,706	25,306	54,400
	Kishore	32,398	42,330	67,448	142,175
	Tarun	25,979	37,027	53,513	116,518
	Total	69,764	97,062	146,267	313,093
All	Shishu	62,028	83,892	104,228	250,148
	Kishore	41,073	51,063	83,197	175,333
	Tarun	29,854	40,357	59,012	129,223
	Total	132,955	175,312	246,437	554,704

Table 4. Total outstanding amount (Rs. in Crores) out of total credit disbursed to micro-enterprises under Pradhan Mantri Mudra Yojana (PMMY) during 2015-16 to 2017-18.

Category	Product	2015-16	2016-17	2018-19	Total
Women	Shishu	36,969	46,685	56,151	139,805
	Kishore	7,469	15,938	13,967	37,373
	Tarun	3,343	2,918	5,016	11,277
	Total	47,781	65,541	75,133	188,455
Men	Shishu	9,842	13,723	20,505	44,069
	Kishore	29,144	27,987	59,597	116,728
	Tarun	22,526	30,959	46,878	100,363
	Total	61,512	72,669	126,980	261,160
All	Shishu	46,811	60,407	76,655	183,874
	Kishore	36,612	43,925	73,564	154,101
	Tarun	25,869	33,877	51,894	111,640
	Total	109,293	138,209	202,113	449,615

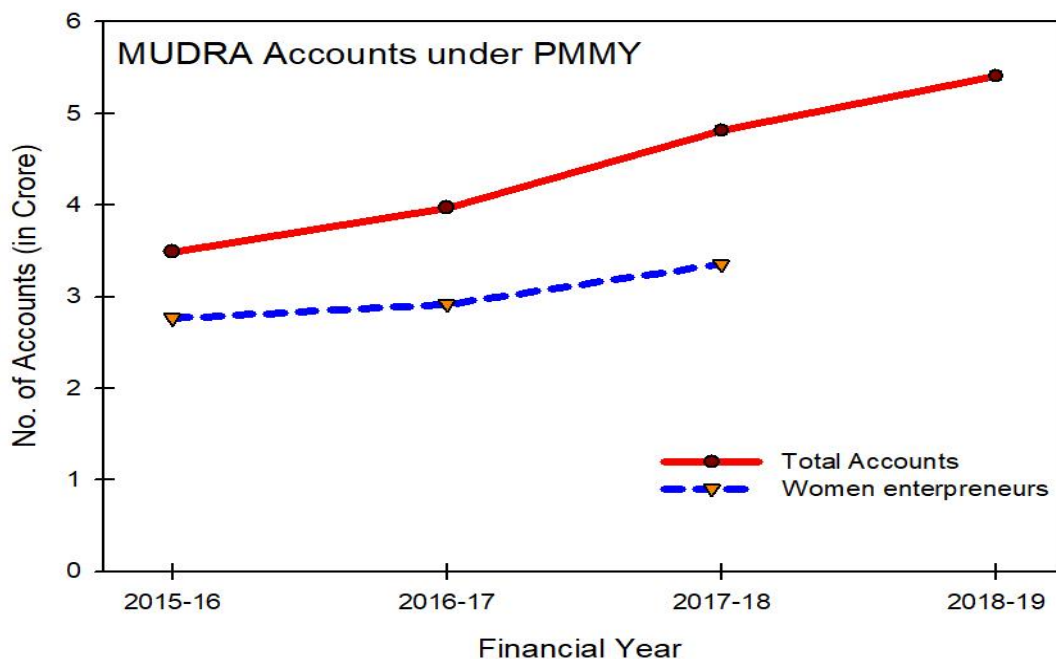


Fig 1. Mudra Accounts under PMMY during 2015-16 to 2018-19.

Amount sanctioned, disbursed and outstanding (thousand crores) under PMMY: Overall and women entrepreneurs

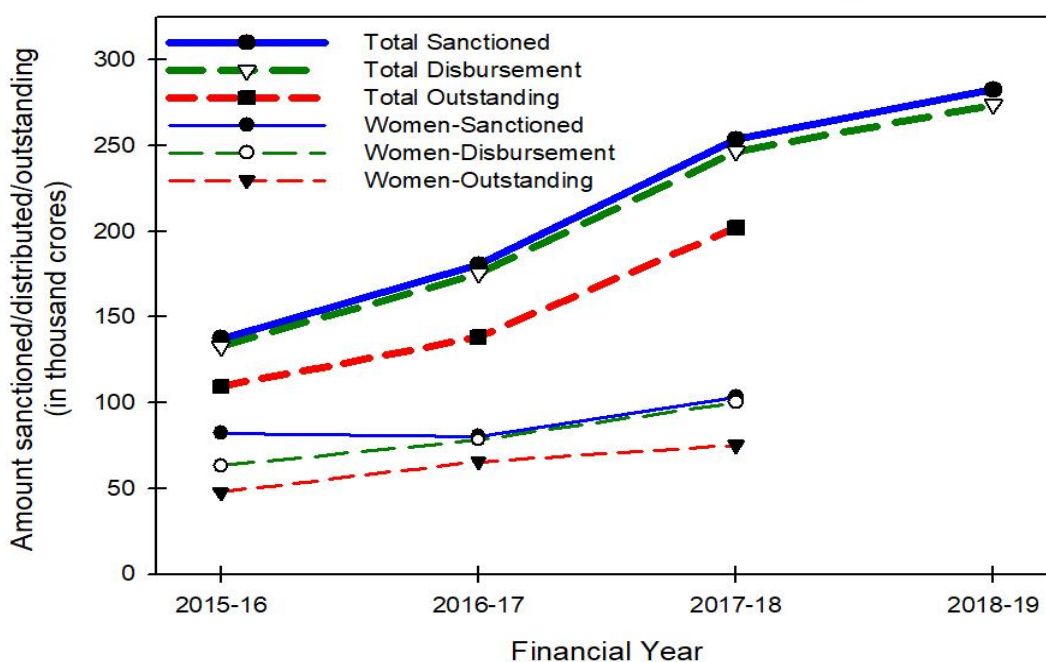
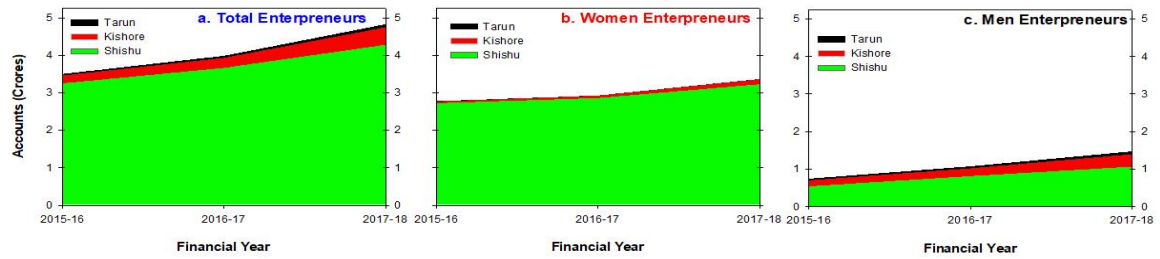
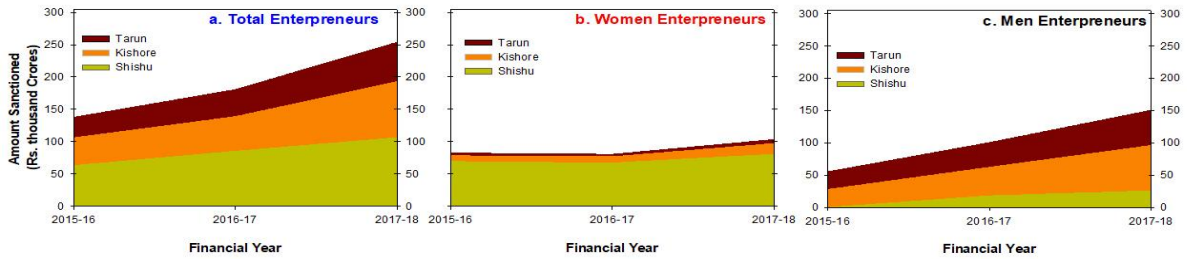


Fig 2. Amount sanctioned, disbursed and outstanding (Thousand crores) under PMMY during 2015-16 to 2018-19.

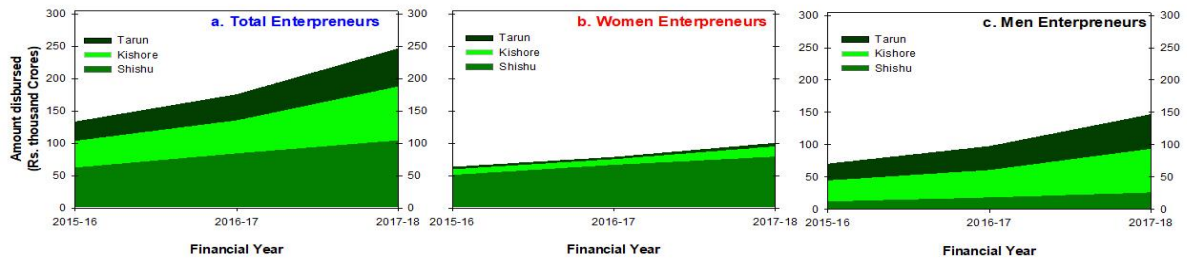
1. Number of Accounts (in crores)



2. Amount sanctioned (Rs. in thousand Crores)



3. Amount disbursed (Rs. in thousand Crores)



4. Amount outstanding (Rs. in thousand Crores)

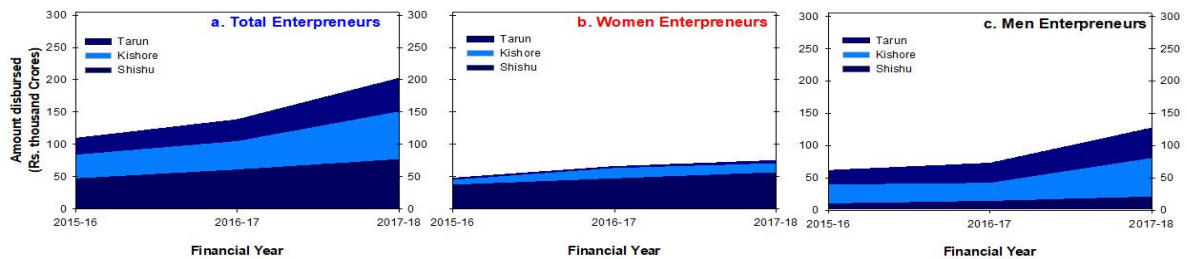


Fig 3. Number of accounts, amount sanctioned, amount disbursed and amount outstanding to total, women and other entrepreneurs under PMMY during 2015-16 to 2018-19.

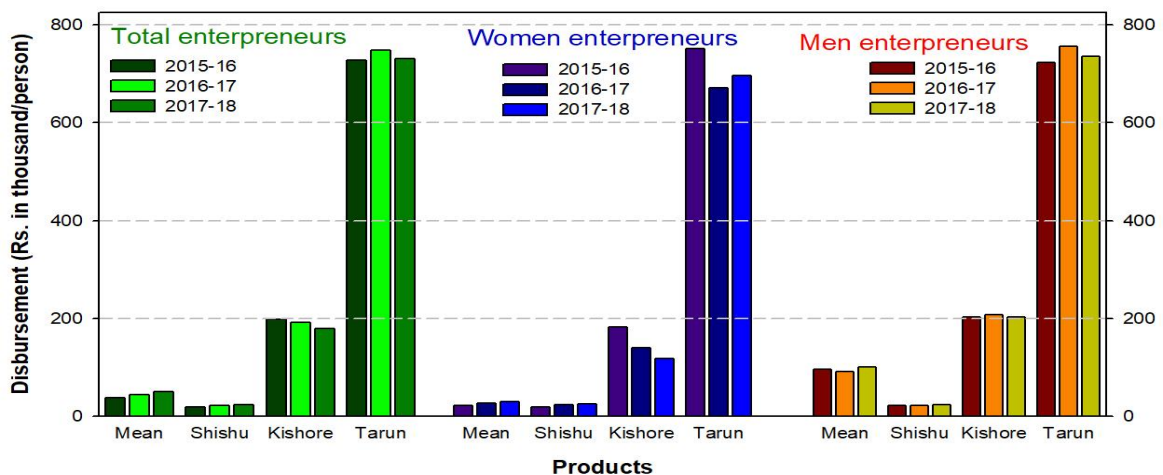


Fig 4. Amount disbursed among three Mudra products during 2015-16 to 2017-18.

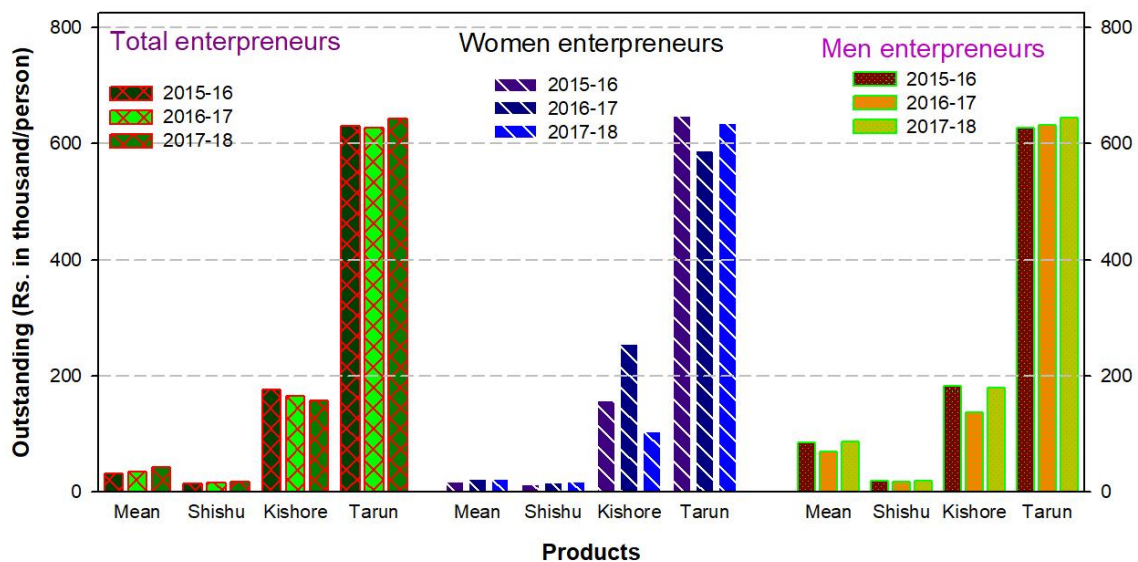


Fig 5. Amount outstanding among three Mudra products during 2015-16 to 2017-18.