

PRIME MINISTER MUDRA YOJANA AND ECONOMIC DEVELOPMENT OF INDIA

Ajay Gautam²¹

Abstract:

A large part of the Indian population lives in the rural areas of the nation and is excluded from the financial services available in the urban areas. Many people in India do not have access to farmland despite India being an agriculture-dominant country. Owing to limited job opportunities, most of the people are left to their own devices to earn a livelihood. Moreover, many such people belong to scheduled castes, scheduled tribes and other backward classes, who lack proper education, training and financial support. They initiate a micro enterprise or any retail trading activity, which has the potential to expand and grow. If this potential could be harnessed with some guidance, financial support, and training, it could be a huge milestone in the economic growth of the country. The Honourable Prime Minister Shri Narendra Modi recognized the potential of the under-privileged section of the society and launched this Mudra scheme. This scheme has the potential to be a game changer; it can boost a whole new generation of entrepreneurs who can succeed.

Pradhan Mantri Mudra Yojana or Prime Minister Mudra scheme aims to provide financial support to micro/small entrepreneurs by meeting their credit aspirations and by offering an opportunity to grow and expand business. In the Union Budget of 2015-16, the Mudra scheme was proposed by the Finance Minister of India. The primary goal is to “fund the unfunded”, banks are required to provide hassle-free loans under this scheme as per the requirements of the borrower. The end users of this scheme are entrepreneurs in rural hinterlands, women entrepreneurs, micro manufacturers, artisans, small-scale businessmen and tradesmen. This study is primarily focused on analyzing the pros and cons of this scheme in order to analyze its impact on the economic development of the country. The methodology of the study will be based on empirical reviews that are based on the available literature related to the Prime Minister Mudra Scheme. It will focus on understanding the usefulness of the scheme to the citizens.

²¹ Senior Research Fellow at Centre for the Study of Law and Governance, Jawaharlal Nehru University, New Delhi. Email id: ajay@pciindia.in

RESEARCH CONTEXT

India is a fast-paced growing economy where small and micro businesses play a vital role in economic growth of the country. The major contribution of such businesses is generating employment for a large section of the society. Thus, small and micro businesses and related schemes created to promote them cannot be ignored by the policy makers. This can be supported by a very famous Chinese proverb, “*Give a man a fish and feed him for a day. Teach a man to fish and feed him for a lifetime*”.

Prime Minister Mudra Scheme is one such step taken by the government of India that strives to make the lives of small/micro entrepreneurs better. This scheme has been focused to motivate and support potential entrepreneurs in starting their businesses by providing them with micro finances. Micro finance is regarded as a crucial tool for overall economic development in India as it can assist the poorer sections in working their way out of poverty. Thus, the main objectives of this scheme are to regularize the informal financial sector by providing guidelines, by creating better codes of conduct, by lending loans at reasonable interest rates, increasing the use of technology, reducing risks on the client’s part, ensuring better methods for recovery, and other such aspects (Mahajan, 2018).

Most of the people, who are engaged in small/micro business are uneducated and do not have a working knowledge of the formal banking sector. Owing to this, such entrepreneurs face difficulties in borrowing credit from banks and other financial institutions. Exploitation of these small/micro entrepreneurs by money lenders is not unheard in India. Thus, the Mudra Banks set up under the aforementioned scheme are responsible for refinancing and regulating all the micro finance institutions dealing with micro/small business entities across the country. “*Funding the unfunded*” is the main motto of this scheme and thus the initial quantity of the loans distributed was 20,000 crores as well as a credit guarantee of 3,000 crores (Mammen, 2017). Further, micro finance services provided by micro financing institutions include provision of credit, savings options, insurance, financial counselling, and money transfers, to name a few (Mammen, 2017). Thus, small/micro entrepreneurs can avail themselves of all such services and related benefits which can never be provided by the money lenders.

The Prime Minister Mudra Scheme is also one of the most important contributors to Micro, Small and Medium Enterprises (MSMEs) due to its basic nature of promoting and supporting small and medium scale entrepreneurs. The MSME sector is an engine for generating employment

and is the backbone of the Indian economy, a status which can potentially accelerate its growth. Currently, MSMEs contribute to around 8% of the GDP in the country. This scheme is a big boost for encouraging MSMEs in general and for promoting entrepreneurship and self-employment in the country. The MSME sector in India has the capability of producing growth that is quantifiable in double digits which can reflect on the overall national GDP (Godha & Nama, 2017; Mahajan, 2018). The scheme is thus a contributor to the economic development of the country due to its support for MSMEs in India.

NEED FOR THE STUDY

Small/micro businesses in India are the major sources of livelihood or employment for nearly 12 crore people (Debu, 2018). Providing such people with formal financial services can translate into the opportunity to grow, expand businesses and generate more jobs. The Prime Minister Mudra Scheme has been anticipated to hold much potential and power to improve the conditions of small/micro scale entrepreneurs and thereby contribute to the economic development of the country. It is important to understand and analyze the ground reality of the scheme to take cognizance of the actual flaws in the scheme and the challenges that arise from them. Thus the present study is an attempt to scrutinize the benefits offered by this scheme and their impact not only on small/micro business owners but also on self-employed individuals.

AIM OF THE STUDY AND METHODOLOGY

The aim of the present research is to comprehensively analyze the Prime Minister Mudra Scheme. This research is focused on assessing the challenges faced by both the citizens and the government with regards to the scheme. This research attempts to understand the usefulness of the Prime Minister Mudra Scheme for Indian citizens and its contribution to the economic development of the nation.

DISCUSSION: PRIME MINISTER MUDRA SCHEME

The Prime Minister or Pradhan Mantri Mudra Scheme is a loan distribution scheme which was launched by the Hon'ble Prime Minister Shri Narendra Modi on 8th April, 2015. This scheme provides loans up to 10 lakh rupees to the non-corporate and non-farm micro and small-scale enterprises (BankBazaar, 2018). These loans are termed as "Mudra" loans under this scheme. "MUDRA" stands for Micro Units Development and Refinance

Agency. Such loans are provided by commercial banks, regional rural banks, small finance banks, cooperative banks, microfinance institutions and non-banking finance companies (Gurumurthy, 2015).

As per a survey conducted by NSSO in 2013, there were around 5.77 crore small or micro scale units running across the country, which had provided informal employment to over 12 crore people. These units were mostly run by individual proprietorships or by own account enterprises. More than 60% of such units were owned by the individual or by groups belonging to the Scheduled Caste, Scheduled Tribe and Other Backward communities. It was also noted that these units used to take loans from informal sources outside of the formal banking system or had been using the limited monetary resources available to them. The PM's Mudra Scheme was proposed to connect such units to the formal banking system in order that they be able to expand their business activities and promote the aspiring young generation of the country to become entrepreneurs (BankBazaar, 2018; MUDRA Bank, 2016).

The figure below presents the offering under Mudra scheme:

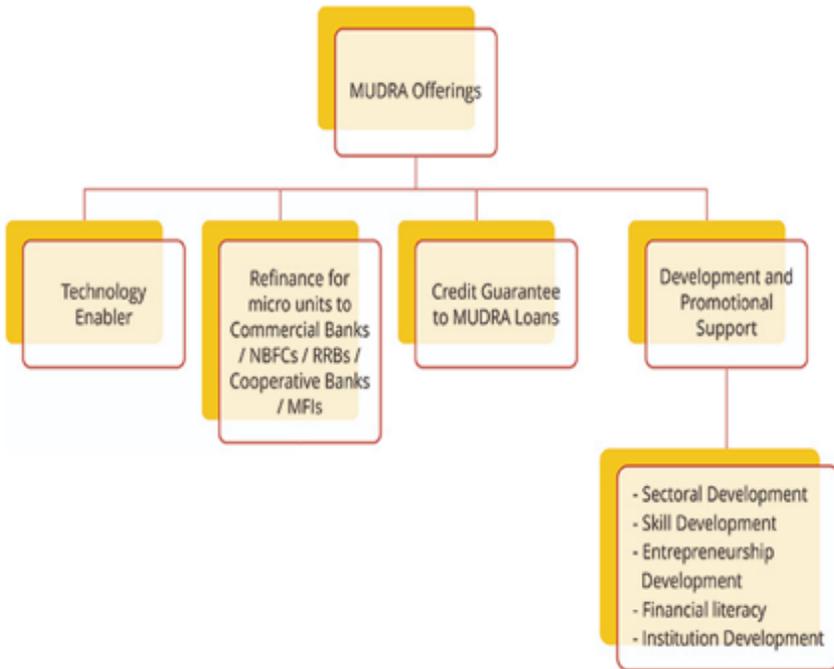


Figure 1: Mudra's offerings

Source: MUDRA, (2018)

OVERVIEW OF SCHEME

The vision behind this scheme was to provide an integrated financial support service to the underprivileged sections of society. It is equivalent to the benchmarked best global practices and standards developed for the overall economic and social development of Indian citizens, and especially of the financially backward class of Indian society. This scheme, in collaboration with the aforementioned banks and financial institutions, provides a loan of up to 10 lakh rupees to small or microscale units for investing in different sectors like services, trading, processing and manufacturing (MUDRA/PMMY, 2016). The loans are extended under three categories under the scheme— namely Shishu, Kishore, and Tarun, all of which are briefly discussed in the table below:

Table 1: Categories of Mudra Scheme

Category	Maximum Loan Amount	Details
Shishu	Upto 50,000/-	For new entrepreneurs starting a new venture requiring lesser funds.
Kishore	Upto 5,00,000/-	For entrepreneurs who need funds to expand or initiate a new business venture requiring larger funds.
Tarun	Upto 10,00,000/-	This is the highest amount of loan entrepreneurs can apply for a start-up venture.

Source: Agarwal, (2017)

The applicants of this scheme can be any individual, partnership firm, proprietary, any private or public company. On the basis of the nature of the proposed activity, the educational qualification, experience, skill and knowledge of the applicant is assessed. One of the compulsory conditions for applying for a loan under this scheme is that the applicant must be an Indian citizen and should have a satisfactory credit record. Further, the applicant should not be a defaulter to any financial organization or bank. Until February 2016, around 2.5 crore borrowers were lent Rs 1 lakh crore under this scheme (Kumar Roy, 2016; Venkatesh & Kumari, 2015).

Some of the salient features of this scheme are as follows (MUDRA/PMMY, 2016; MUDRA Bank, 2016):

Table 2: Features of the Prime Minister Mudra Scheme

S.No.	Features of the Prime Minister Mudra Scheme
1	On the basis of the business plan and proposed investment amount, the cost of the project is determined and credit is provided in a flexible and hassle-free manner.
2	This loan is not provided for personal requirements.
3	Mudra is not just a financier scheme, it also regulates the Financial sector.
4	Mudra Card is a debit card launched under this scheme on the RuPay platform. It also provides an overdraft facility for arranging on a working capital arrangement.
5	Mudra Mitra is a mobile phone app, which is available on Google Play Store as well as on the Apple App Store. It provides information regarding Mudra and all of its loan products. It is a guide for any loan seeker, who can gain easy access to related material.
6	The 'Mudra bank' is also responsible for refinancing and regulating micro finance institutions.

OBJECTIVE OF THE SCHEME

The objective of the Prime Minister Mudra Scheme scheme is to develop a wide-ranging, value-based and sustainable entrepreneurial culture in the country for supporting and achieving not only economic security but also the financial goals of small and medium scale entrepreneurs. This scheme supports and encourages partner institutions and micro and small-scale business sectors for creating an environment of growth and development in the country. The basic motto of this scheme is to provide need-based composite loans, term loan and/or overdraft limit to eligible applicants who require capital assets or working capital or any marketing related monetary requirement (Gurumurthy, 2015; Rupa, 2017).

Other objectives of this scheme are as follows (MUDRA/PMMY, 2016; MUDRA, 2018):

1. Regulating lender-borrower dynamics in the micro finance sector and providing stability by ensuring a wide range of participation in the system. Developing policy guidelines for micro and small-scale financing enterprises. Providing institutional finance services to small business units is also another objective.

2. To cooperate with the financing and loaning activities, MFIs and others, specifically for small/micro traders, vendors, retailers, self-support groups, individuals and suchlike.
3. Accreditation, Registration, Rating and Regulation of Micro-Finance Institution (MFI) entities. Listing all the MFIs and setting up a performance-rating system that will aid in the assessment of MFIs and boost competition in the banking sector.
4. Providing infrastructural guidelines to borrowers in order that they avoid business setbacks and making satisfactory recoveries of the loans. Laying down the guidelines of responsible financing practices in order to prevent indebtedness and to enable better recovery and client protection.
5. Strengthening character of micro businesses by developing standards that regulate last-mile lending. Bridging the gap between the formal banking sector and informal micro/small enterprises.
6. Forming and implementing guidelines for providing loans under credit guarantee schemes.
7. Monitoring of distributed funds and promoting the use of appropriate technological solutions.
8. Creating good credit delivery architecture and ensuring that it reaches the last-mile individual.

TARGET BENEFICIARIES OF THE SCHEME

The Prime Minister Mudra Scheme assists lower income groups and individuals in expanding their small business by providing them with the benefits of the formal banking sector by reducing the cost of finance. The priority in lending is given to the enterprises owned by SC/ST classes or individuals, women entrepreneurs, individuals belonging to backward section of the society and other underprivileged sections. Businesses covered under this scheme are small manufacturing units, fruit and vegetable vendors, shopkeepers, hair cutting/beauty salons, transporters, truck operators, repair shops, hawkers, artisans, machine operators, small industries, food processors, professional service providers, self-help groups, and other such sectors in both rural and urban areas (BankBazaar, 2018; Reddy, 2018).

BENEFITS COVERED UNDER THE SCHEME

As discussed in previous section, one of the main aims behind the initiation of this scheme is to offer the advantages of formal banking services to people in rural areas or people belonging to backward classes.

Some of the benefits under this scheme are stated in the table below (Debu, 2018; Kumar, 2017):

Table 3: Benefits under the Prime Minister Mudra Scheme

S. No	Benefits under the Prime Minister Mudra Scheme
1	The financial support offered by the Mudra Bank is offered to new-entrepreneurs and small/micro businesses.
2	Under this scheme, banking services reach people in remote areas of the country. This aids people who take loans from money lenders at high interest by providing those loans at nominal interest rates for their businesses.
3	The scheme offers advantages, such as a credit agent scheme with minimum risk associated with it to small/micro scale businesses.
4	The government acts as a credit guarantor, i.e. the government bears the responsibility of loan if the borrower goes into debt.
5	Agents are appointed to guide the borrower in reducing risks and minimising negative results.
6	Regular evaluations are conducted to ensure that businesses are profitable and have no liabilities.

Challenges being faced by the government in the implementation of the scheme

Some of the major challenges faced by the government in implementing the Prime Minister Mudra loan scheme, are enlisted below:

- Creating Awareness:** Ensuring that every individual, even if at the bottom of the social pyramid, was aware about this scheme was a huge challenge faced by the government. This scheme was widely publicized through various mediums such as electronic media, radio, print media, social media and others. As a part of awareness campaigns, the humongous task of creating awareness at town levels was achieved by organizing hall meetings and credit camps across the nation (Times of India, 2018). But the results are not as fruitful as per the expectations of the implementers. For instance, the Small and Medium Enterprise (SME) owners, both present and prospective, are not yet aware of this scheme.

- **Poor grievance redressal:** This is one of the major problems associated with most of the government schemes in India. The government had developed new mechanisms and institutions with a special focus on micro businesses, but grievance redressal has observed minimal improvement in India (General Knowledge Today, 2015). Thus grievance redressal is a big challenge in this scheme as well.
- **High Non- Performing Assets (NPA) Level:** This is already a huge challenge faced by the banks in the nation, due to the easy availability of loans under Mudra scheme. This problem can grow in an unforeseen manner and is a major concern. In addition to these, vote-bank politics leading to loan waivers granted by the state government along with poor loan recovery rates of Gramin banks adds to this challenge (Mudra Bank Loan Yojana, 2015).
- **Bureaucratic Hurdles:** As over 70% of the Indian population is served by government banks, the bureaucratic nature of the employees is a major snag in the implementation of the Mudra scheme (General Knowledge Today, 2015).
- **Discouraging Shadow Banking:** Shadow Banking is discouraged globally, as it is considered as a flaw in the financial system that can lead to a global crisis. There are already a number of finance agencies dedicated to rural and agriculture development such as NABARD (National Bank for Agriculture and Rural Development) and SIDBI (Small Industries Development Bank of India), but they have not been successful in eradicating shadow banking. The Mudra banks also face the same challenge of establishing the trend of main line banking in the underprivileged section of the society (MUDRA Bank, 2016).
- **Financial Challenges:** The Mudra Bank shares the management of the 'Refinance Fund' with NABARD and is faced with shortfalls in agricultural lending targets. Additionally, it is funded through a non-budgetary mechanism which adds to this challenge (MUDRA BANKLOANYOJANAPMMY, 2015).
- **Lack of Financial Literacy:** For the successful implementation of the Mudra scheme and its expansion, it is essential to educate people in order that they avoid local moneylenders (informal financial sector) and be a part of the formal banking and finance sector. Thus, there is a need to address this challenge by initiating financial literacy campaigns throughout the country (MUDRA Bank, 2016).

- **Infrastructure Creation:** Particularly in the rural areas of India, lack of proper infrastructure and a mismatch between supply and demand of credit services are challenges to the implementation and expansion of the Mudra scheme. There exists a huge demand for credit in such areas but due to lack of skills, asset availability, human resources and other reasons, satisfying the demand proves difficult. (MUDRA Bank, 2016).

IMPLICATIONS OF THE SCHEME

The Prime Minister Mudra scheme is aimed at instilling new confidence in small/medium entrepreneurs, who were previously being exploited by money lenders. Through this scheme, such entrepreneurs will have funding to increase their income, to expand their business as well as to contribute significantly to the economic growth of the nation. Additionally, it will increase the revenue of the government in the form of tax returns (Mammen, 2017).

Some of the implications of this scheme are discussed as follows (MUDRA, 2018):

CREDIT GUARANTEE:

Traditionally, financing in India takes the form of an asset-based loaning approach that stresses upon collateral. Micro/small businesses cannot provide collateral or guarantees so more often than not, they cannot borrow from the formal banking and finance organizations. Thus, Mudra loans of up to 10 lakh rupees are provided collateral-free and without needing guarantees, as per the RBI norms, to the eligible applicants. This credit guarantee is due to the creation of a fund called “Credit Guarantee Fund for Micro Units”.

RESOURCE CREATION FOR CREDIT ENHANCEMENT:

The amount proposed for Credit Guarantee Scheme is to be increased continuously as per the outstanding loans charges under re-finance. The same scheme would be used for providing loss guarantee for securitized loans. Credit enhancement facilities offer to cover the probable losses.

PROMOTIONAL AND DEVELOPMENT SUPPORT:

Along with the credit guarantee and enhancement, there are many non-credit issues that are tackled by this scheme such as lack of financial knowledge, skill development, asymmetric information, and other such

aspects. These issues are tackled by adopting a credit-plus approach for offering supporting services to a target population. It will aid in building an environment that can efficiently and sustainably contribute towards the growth and development of the Indian society.

ENHANCING FINANCIAL / BUSINESS LITERACY:

Financial education is fundamentally related to making informed choices about finance and business which involves understanding products, calculating rewards and risks and more. Financial / business literacy and financial inclusion are dependent on each other and supporting it will drive the supply and demand balance to fulfil the national agenda of overall economic growth.

SUPPORT AND PROMOTION OF GRASS ROOT INSTITUTIONS

Formalizing and institutionalizing grass root institutions can aid in developing an environment of growth for small/micro businesses. It is a key area for intervention, by supporting innovation even at the rural level and providing quality education to the youth. This can give birth to a culture of sustainable growth of micro/small business enterprises.

Additionally, this scheme also synchronizes with many other government schemes such as Pradhan Mantri Jan Dhan Yojana, Make in India initiative and other such schemes thereby providing a support system to these schemes as well.

The “Make in India” movement is aimed at facilitating innovation, enhancing skill-development, promoting intellectual property in manufacturing Industry . Along with “Start-up and Stand-up India”, this campaign fits in well with the Mudra scheme for creating a conducive environment micro/small enterprises.

This scheme is also in sync with “Digital India” and “Swachh Bharat Abhiyan” initiatives undertaken by the ruling government. In addition to this, the Mudra scheme is also in synergy with many of the other government schemes such as National Rural Livelihoods Mission, which aims to promote skill development and self-employment at the grass-roots level of the country; Deendayal Antodaya Yojana which aims to reduce poverty in urban areas by promoting micro/small enterprises; National Skill Development Corporation for developing skills nation-wide and more (Chandrasekhar, 2015; MUDRA, 2018).

EVALUATION OF THE SCHEME- PROS AND CONS

As discussed in the previous section, the Mudra scheme is aimed at providing financial support and empowerment to micro/small businesses both present and potential. Previously, when applying for loans, individuals from the poorer sections of the society faced enormous hurdles due to lack of financial literacy as well as credibility and guarantor. To deal with this, the Mudra Scheme offers credit loan in an easy way and without much legalities and formalities binding small/micro entrepreneurs for supporting and expanding their business.

This scheme also targets populations living in remote places who were previously deprived of formal banking services (George & Nalini, 2018). This scheme targets women, minorities and the backward sections of society and strives to ensure financial inclusion. It was noted by Mammen, (2017) that around 70% of the applications for Mudra have been approved by the bank officials and credit officers. Out of the approved 12 crore applicants, around 6.5 crore beneficiaries belonged to backward communities of the country (MUDRA/PMMY, 2016)

India is a country that has only 27% of working female population above 15 years of age, which is the lowest in the spectrum when compared with the rest of the world. This scheme has been a big encouragement for present and potential women entrepreneurs who want to start a new business, or want to develop and expand their existing business.(SKOCH, 2017) . One of the testimonials by Padmini Meher, who lives in Attabira, Bargarh district, testifies the advantages of this scheme. Her family survived on the meagre income of her husband, a daily labourer. She used to work in a handloom factory with her fellow villagers. With the help of Annapurna Micro Finance under the PM's Mudra Yojana, she was able to buy a handloom machine for weaving sarees, which now provides them with extra income (MUDRA/PMMY, 2016). Another testimonial was by Susama Behera, who lives in the small village of Kumareswara, Odisha. She is differently-abled and with financial assistance through Mudra Yojana, she now owns a coir-making machine. She has received a very good response for the products she made and sold (MUDRA/PMMY, 2016).

One of the major challenges faced by the nation as a whole is unemployment. Thus, one of the main objectives of this scheme was to create more job opportunities by supporting the MSME sector. Another benefit of this scheme is that apart from promoting new businesses, it also provides support to already established and viable small/micro businesses

to expand their horizons (Kumar, 2017). A testimonial by Mr. Rajendra Singh, an ex-Armyman from Dehradun, confirms that he had received a loan of 5 Lakh rupees through this scheme for the inception of his business of manufacturing and supplying brooms to retailers. It not only become a viable business but also generated employment for others. Another beneficiary of this scheme was Mr. Viplav Singh, an aspiring entrepreneur who had worked in the pharmacy sector from Udham Singh Nagar in Utrakhand. After receiving a loan of 5 lakh rupees, he started his business of trading in pesticides and fertilizers, which proved to be successful and has provided employment for several other people. Anwar Ali, another beneficiary of this scheme, was a self-employed jute craft artist who has provided employment to at least three other persons after receiving a loan within a month of filing the application. Mr. Shailendra Kumar from Varanasi was a small-scale detergent manufacturer earlier producing 15 to 20 kg of detergents per day. With a Mudra loan of 5 Lakh rupees, the capacity of production was increased to 1 tonne per day which in turn had generated direct/indirect employment for many (Economic Times, 2018; OpIndia, 2018; Press Information Bureau, 2018).

These testimonials of the beneficiaries of Mudra Scheme indicate that this scheme is fulfilling its objectives of promoting entrepreneurship, self-employment and job-creation. These testimonials also affirm that this scheme is the right step taken by the government for the holistic economic development of the nation.

As a coin has two sides, this scheme also has two aspects— a positive and a negative aspect. The section above discussed the positives of the scheme, now this section will throw light on the negatives as identified by the researcher. This scheme is regarded as a wastage of a huge sum of the taxpayer's money as it offers nothing new and is riddled with flaws as stated by many. Various criticisms and disadvantages associated with the scheme are discussed here.

Tiwari, (2018) in the criticism of this scheme has termed it the “Blackhole of Indian Economy”. As per the author the scheme is a mediocratic scheme owing to rampant corruption in the formal banking sector. Particularly, in the Gramin public sector banks, there is a 15% cut prevailing by the manager of the bank branch for a loan under this scheme. As per the estimation of the author, 15% of 4 lakh crore rupees i.e. 60 thousand crores had been deposited in the pockets of the bank employees. Another primary reason for criticism of this scheme is the mounting level of NPA, as this scheme does not require guarantor for taking the loan, borrowers take it casually, despite the higher rates of interest present than other loans.

In the year 2016, as a response to an RTI filed for asking for NPA under Mudra Yojana, the Ministry of Finance revealed that it does not maintain the NPA data at their level. This response points towards inefficiency and mismanagement under this scheme (Agarwal, 2017).

Another censure faced is that it is no different from the previous schemes launched by the previous governments; those schemes did not deliver on their promises and the researchers are expecting the same from this (Mahajan, 2018). Its objective of equitable fund distribution is similar to the objective behind the nationalization of banks under the government of Mrs. Indira Gandhi, the former Prime Minister of India, which have not been very successful in providing loans to small/micro businesses. Additionally, this scheme is criticised for its inability in providing reliable data on employment generation and is termed as a failure in generating employment by many (Dutta, 2018). Moreover, this scheme had led to a multi-body regulation over MFIs. They were previously regulated by the RBI, and are now being regulated by the Mudra Bank as well, which can lead to problems in future. In addition to this, instead of discouraging shadow banking (discussed previously), the Mudra scheme seems to be promoting it, as it is not under the regulations and administration of the RBI (Dutta, 2018; Tiwari, 2018).

CONTRIBUTION OF THE PMMY TO THE ECONOMIC DEVELOPMENT OF INDIA

The Prime Minister Mudra scheme targets small and medium scale entrepreneurs and the people belonging to the poor and backward sections of society. For many decades now, this section of Indian society has been the victim of a spend-and-forget mentality by government bodies. Most of these individuals are either unemployed or self-employed and run small/micro businesses which are termed as part of the informal sector. This informal sector significantly contributes towards the GDP of the Indian economy. Due to its informal nature, it is outside the tax net and is deprived of formal banking services. Thus, this scheme can be stated to be an attempt to include the informal sector in the mainstream economy of the nation. This structural defect of the Indian economy is being targeted under this scheme by providing easy loans at a lower interest rates to the eligible applicants (MUDRA/PMMY, 2016).

The main aim of the Prime Minister Mudra scheme is not just meeting the credit requirement and financial needs of micro/small enterprises, rather it is based on a credit-plus approach that includes technological awareness, financial knowledge and other welfare services. The overall

performance of the scheme is discussed below as presenting the overall achievements made by the Public-Sector Banks under the scheme. The table below indicates substantial growth in the micro-finance/credit sector. In the fiscal year 2014-15, the credit disbursement was 33,000 crores and was noted to increase by around 70% in the next fiscal year. This lending initiative under the Mudra scheme is expected to boost the overall GDP of the country, promote the micro/small business sector, and create more job opportunities (MUDRA/PMMY, 2016). The table below depicts the loans sanctioned, amount and disbursement for past three financial years.

Table 4: Lending Statistics under the Prime Minister Mudra scheme

Financial Year	No. of Sanctions	Amount Sanctioned	Amount Disbursed
2015-16	34880924	137449.27 Crores	132954.73 Crores
2016-17	39701047	180528.5 Crores	116820.58 Crores
2017-18	36903984	181901.12 Crores	-

Source: (Press Information Bureau, 2017)

In the past three years, around 11,14,85,955 applicants were provided with Mudra loans of around 499878.89 crore rupees. This scheme's achievement with regards to the vulnerable sections of the society such as minorities, backward classes, and women have been distinctive in terms of promoting entrepreneurship. The motto of this scheme is 'funding the unfunded', new and aspiring entrepreneurs are supported under this scheme. In the year 2015-16, there were 1,24,74,668 new entrepreneur accounts, which was nearly 36% of all the accounts and the amount loaned to them was around 58908.08 crore rupees (Chandrasekhar, 2015; MUDRA Bank, 2016).

Another objective of this scheme is providing financial support or credit to women entrepreneurs. In the year 2015-16, 79% of the total applications funded belonged to women entrepreneurs. The total number of women applicants —27628265—were provided with the combined loan of 63190.43 crores rupees, a majority of the applications were financed by NBFC - MFI's. As per a 2013 NSSO survey, over 60% of the small/micro enterprises belonged to weaker sections, which include people belonging to SC/ST/OBC category. Under this scheme, in the year 2015-16, 53% of the total applications financed belonged to applicants of SC/ST/OBC categories. The total number of 6114737 SC- applicants were loaned

14691.79 crores rupees; 1678346 ST- applicants were loaned 4742.03 crores rupees and 10608416 OBC- applicants were loaned 29762.51 crores rupees (Mudra, 2017; SKOCH, 2017).

Achievements of the banks (public and private sector) and the MFI have been very encouraging, under this scheme. The vigorous growth in providing loans to unfunded or underfunded sections of the society is an indication of the financial inclusion of the borrowers in the formal banking sector. To further promote this growth, the Union Budget of 2017-18 had announced a target of 2.44 lakh crore rupees in loans under the Mudra Scheme (Godha & Nama, 2017). Owing to these achievements, in the opinion of George and Nalini (2018) this expansion of the financial ecosystem had been a boon for domestic cash-starved small/micro businesses. This transformational scheme is expected to expand tax-GDP ratio, which in turn will increase the number of taxpayers and thereby will increase government revenues.

Despite the slowdown of the Indian economy due to demonetization and implementation of GST, the economic growth had picked up pace. The enhanced liquidity had enabled banks to lower rate of interests and had increased lending capacity under the Mudra scheme. This increased capacity had aided in optimizing the resource capacity of small entrepreneurs and thus had increased their business productivity. In terms of lending, Public Sector Banks (PSB) have had the largest share followed by NBFC-MFIs; Private sector banks and Regional Rural Bank (RRB) were at the third and fourth places respectively. Small/Micro enterprises benefitted from this scheme which is expected to generate around 11 crore jobs nationwide (Shahid & Irshad, 2016). According to the report by Mudra, (2017), owing to Mudra loans, around 5.5 crore jobs were generated in the period of just over two years.

The MSME sector in particular had hailed the MUDRA scheme and the initial corpus of loans provided to a small section of small/micro businesses was of Rs.20000 crore and the credit guarantee corpus was of Rs.3000 crore. In the second year of the scheme, the focus shifted towards the backward districts of the nation for mainstreaming the unreachable sections of the nation and more agriculture related enterprises were involved in this scheme. This much needed financial assistance had been a game changer for the sector in terms of creating employment opportunities. One direct job created under the Shishu scheme had created 0.25 indirect jobs, one direct job created under the Kishore scheme had led to the creation of one indirect job, and one direct job under the Tarun Scheme had created 2 indirect jobs, around 1.67 crore indirect jobs were created in the first two