

Mudra Yojana is a mission or mess?



Prime Minister Narendra Modi during the launch of the Pradhan Mantri MUDRA Yojana at Vigyan Bhawan on April 8, 2015 in New Delhi. (Photo: Getty Images)

Prime Minister Narendra Modi today said that the Mudra Yojana had transformed the lives of the poor in the country. "Mudra Yojana has opened up new avenues for youth, women and those who wanted to start or expand their businesses," Modi stated while interacting with the beneficiaries through his NaMo mobile app.

"Mudra Yojana has transformed lives of the poor. It has strengthened them economically, socially and provided them a platform to succeed," he added. Pradhan Mantri Mudra Yojana (PMMY), as the scheme is officially known, was launched in April 2015. Its objective was to provide loans of up to Rs 10 lakh to the non-corporate, non-farm small and micro enterprises.

The Mudra Yojana has been a subject of controversy with experts pointing to flaws in its working design, while the government calling it a game changer in many ways. Here are some facts related to Mudra Yojana:

Ecosystem Of Mudra Yojana

Mudra stands for Micro Units Development and Refinance Agency. Launched by PM Modi himself three years ago, Mudra Yojana provides loans to people turning entrepreneurs under three categories: Shishu, Kishor and Tarun. Loans upto Rs 50,000 is provided under Shishu category.

The amount is enhanced upto Rs 5 lakh under Kishor category and Rs 10 for Tarun entrepreneurs. Under the Mudra scheme about 60 per cent of the loans are expected to be disbursed to Shishu entrepreneurs by all the commercial public and private banks.

Seeking collateral security from the beneficiaries is not mandatory under Mudra Yojana. Many believe that waiving off mandatory collateral clause may be good politics but bad economics.

Who Got Mudra Loan?

As per the data available on Mudra Yojana's official website almost 13 crore (12,90,73,857) people were given loans under the scheme till May 25, 2018.

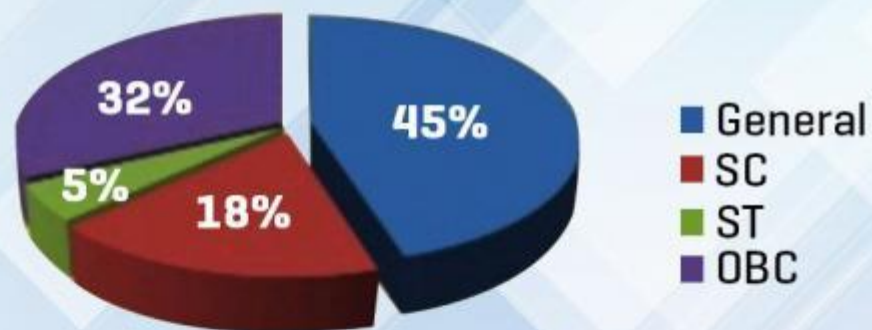
The total sanctioned amount of loan under Mudra Yojana was Rs 6 lakh crore (Rs 6,00,589.21 crore) out of which Rs 5.81 lakh crore (Rs 5,81,283.18 crore) had been disbursed to the beneficiaries.

PM Modi said, "Out of the 12 crore beneficiaries, 28 per cent or 3.25 crore are first-time entrepreneurs...About 74 per cent or 9 crore, borrowers are women and 55 per cent belong to the SC/ST and OBC category."

PRADHAN MANTRI MUDRA YOJANA

Financial inclusion for all

55% beneficiaries are from
SC/ST/OBC categories



% of accounts under various social categories

01st April 2015 - 31st March 2018



Photo: Twitter/@RajKSinghIndia

The Problem

But there is a problem. The average of sanctioned loans under Mudra Yojana comes at Rs 46,530 while that of disbursed amount is Rs 45,034. This amount could not be considered enough to launch a start up that could provide jobs to others.

This amount is also much lower than the average per capita income of Indians - Rs 1.11 lakh for 2017-18, according to advance estimates of the Central Statistics Organisation (CSO).

Recently, information sourced through a petition filed under Right To Information Act by activist Chandan Kamhe revealed that the number of large-sized loans or disbursements from the banks exceeding Rs 5 lakh - that can generate employment - are mere 1.3 per cent under Mudra Yojana.

Informed persons in the government and banks said that there was no record for employment generated by the loans disbursed under Mudra Yojana.



Photo: Twitter/@dpradhanbjp

Mudra NPA

Those monitoring banking sectors of India have raised concerns about Mudra Loans becoming a big liability for the banks in near future. Officially, the Mudra loans seem to have done well in keeping NPA (Non-performing Assets) lower compared to other bank loans.

According to finance ministry data Mudra Yojana had a gross NPA ratio of only 4 per cent as of December 2017 - much lower than average 10 per cent for other loans in the case public sector lenders. However, some of the experts have calculated the Mudra Yojana NPA figures at over 14,350 crore in the short span of three years.

What Do Bankers Say?

The Mudra NPA could be a serious issue for the government coming in 2019. A senior State Bank of India official told India today.in that "having no-collateral for a loan that is being pushed by the government is bound to fail. The government wants us to sanction loans to anyone who comes to us but most of these applicants don't have any business plan. A lot of Mudra loans are being issued against banking principles."

The pressure to give Mudra loans without following banking principles is being exploited by some "unscrupulous managers" who are indulging in corruption, the SBI official said. This claim is corroborated by another Punjab National Bank scam in Barmer, Rajasthan.

In February this year, the CBI registered a case against a senior PNB official for fraudulently giving away 26 loans worth Rs 62 lakh under the Mudra Yojana. The CBI noted that the loans were sanctioned "without conducting meaningful pre-inspection or physical verification of spot of business or residence and without ascertaining end use of the loan amount or creation of assets from the loan amount".

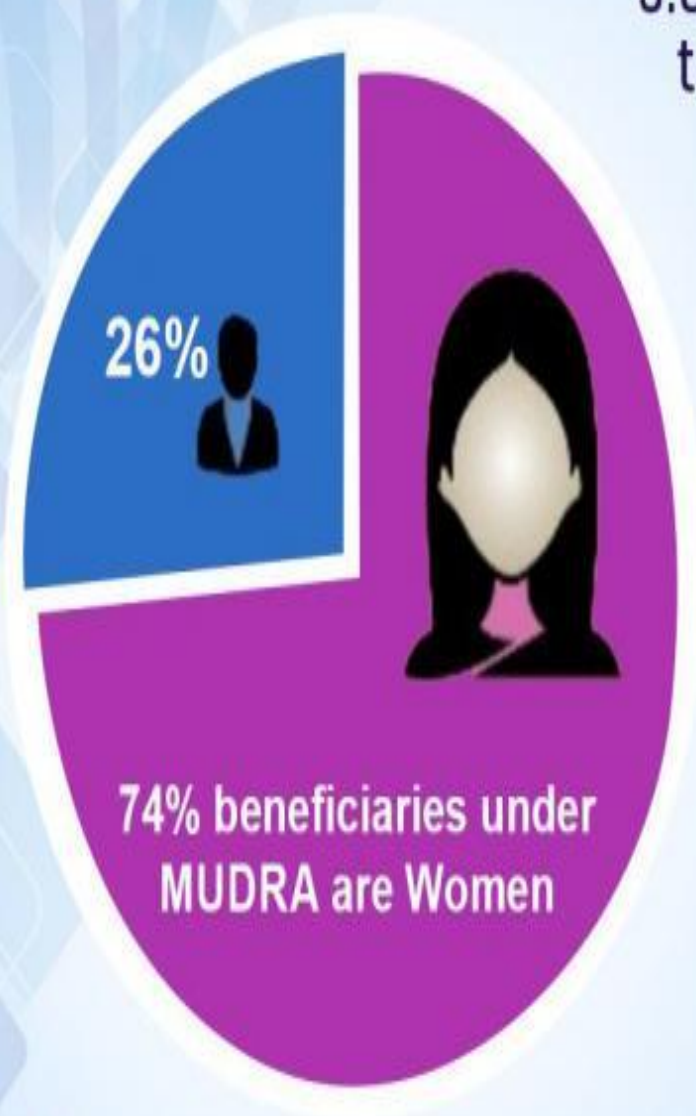
"Many people approach to sanction loans to the females in their families. The Mudra scheme is designed such as to give preference to women entrepreneurs. This has led to creation of a pool of proxies, who claim to turn entrepreneurs. If we don't sanction loans to them under Mudra Yojana, they register complaint and if we do, we know they will harm the bank," the bank official said.

- (12.9 crore loans were given away under Mudra Yojana
- Average loan amount under Mudra Yojana is Rs 45,034
- No record for employment generated under Mudra Yojana)

PRADHAN MANTRI MUDRA YOJANA

Empowering Enterprising Women, Strengthening the Nation

9.03 Cr. loans
to women



01st April 2015 - 31st March 2018

