

Pradhan Mantri MUDRA Yojana

- Serving Micro Units at the Cost of Lenders?

Dr. Inchara P M Gowda, ICSSR Post-Doctoral Fellow, Institute of Management Studies, Kuvempu University, Jnana Sahyadri, Shankaraghatta 577 451(Shivamogga Dist, Karnataka State, India), e-mail: incharapmgowda@gmail.com

Dr. H. N. Ramesh, Professor, Institute of Management Studies, Kuvempu University, Jnana Sahyadri, Shankaraghatta 577 451(Shivamogga Dist, Karnataka State, India)

Importance of MSMEs

Many studies, committees, commissions, etc., have shown the importance and role of micro, small and medium enterprises (MSMEs) in the overall development of the country including in its economic development. In the post-independent India, this sector has emerged as a highly vibrant and dynamic sector of Indian economy. It is through its contribution in many ways such as, (i) generation of large employment opportunities at comparatively and substantially lower level of capital employment, (ii) industrialization of not only industrially backward regions but also rural are spreading the industrial activities across the nation and acting as a major partner in the country's ambitious mission of inclusive growth thereby contributing to the balanced regional development, (iii) working towards more equitable distribution of national income and wealth, etc. Besides, 3.6 crore units in this sector are producing more than 6,000 products for both domestic and overseas markets, contributing about 8% to country's gross domestic product (GDP), accounting for about 45% of manufacturing output and 40% to country's exports. Further, these enterprises, as ancillary units, complement the operating activities of large-scale organizations. All these statistics signify the vital role being played by the MSMEs.

Problems of MSMEs

'Micro Unit/Enterprise' is defined in the Micro, Small and Medium Enterprises Development Act, 2006 as an enterprise which is engaged in the manufacture or production, processing or preservation of goods and where investment in plant and machinery (excluding

land and building) does not exceed Rs 25 lakh. Further, the Act defines the micro units engaged in the generation and/or rendering of services. Accordingly, 'micro enterprise' is an enterprise engaged in rendering of services and where the investment in equipment (original cost excluding land and building, and furniture, fittings and other items not directly related to the service rendered) does not exceed Rs 10 lakh.

Though this sector has been contributing substantially, it has not been able to contribute its full potential owing to many problems it is facing. Examining the role of SMEs in India, Guntur Anjana Raju & Mythili Kurpad (Summer 2013) concluded that these enterprises have not been able to utilize their full potential due to many reasons such as stiff competition from large scale organizations, inadequate infrastructure, lack of skilled human resource, rural domination, etc. Further, they felt that the major problem of SMEs is the 'financial gap' i.e., a situation wherein the demand (of SMEs) for financial assistance exceeding the supply of the same (by the banking companies and other financial institutions). Similarly, many studies including the committees and commissions (constituted by the governments and their authorities) have examined the problems of MSMEs. For instance, the committee constituted by the Department of Financial Service, Ministry of Finance, Government of India (GoI) under the chairmanship of Shri. K. V. Kamath, Chairman of ICICI Bank to examine the financial architecture of MSMEs has identified a few common financial problems of MSMEs as summarized below (Report of the Committee, February 2015).

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Formal financial institutions such as banking companies find it difficult to assess the credit risk of MSMEs due to the absence of relevant financial information such as historical cash flows, credit track record, tools to assess the credit risk associated with MSMEs in the absence of relevant information, etc. This is an important reason as to why most of the MSMEs are deprived of credit facility from the banking companies.

As a source of financing, 'equity' is underutilized and the investment by venture capital and angel investors is comparatively low in India. Most of the Indian MSMEs, therefore, depend on friends and family as major sources of equity.

MSMEs in India are also facing the problem of delayed payments from their buyers who are mostly large corporate enterprises. This delayed payment is adversely affecting their working capital as well as their next cycle of production besides their ability to service (their) existing debt obligations.

Further, many MSMEs do not have adequate knowledge about different schemes formulated and introduced by the governments for the MSMEs. In some cases, they lack technical know-how and the necessary wherewithal to provide the required information to avail of the benefits of these schemes.

The above findings of the Committee bring the point to the fore that, 'finance' is one of the important and common problems of MSMEs in India. And this is true even in the case of micro units/enterprises which account for a larger percentage of (number of) MSMEs in the country.

Literature Review

Many studies on MSMEs by both the individual researchers/academicians and institutions have been undertaken and completed in the past. These studies comprise both macro- and micro-level studies by committees, individual researchers, etc. However, only a few important studies are reviewed in this Section to comprehend the role and problems of, and schemes for the MSMEs.

For the purpose of review, relevant literature is collected from a few important sources such as libraries, Shodhganga, UGC-Infonet e-resource consortia, research/reference books, government/committee reports, data bases like Jastor, Emerald, Ebesco, 'Business Source Complete' database, etc.

MSMEs are playing a stupendous role in the development of the country's economy through the generation of employment opportunities, diffusion of economic power (in the hands of a few discouraging monopolistic situation in the production and distribution), earning foreign exchange (with low import-intensive operations), etc. This way, these enterprises are contributing substantially for the economic development of the country with their exposure to many opportunities for expansion and diversification across the sectors. However, they are facing many problems. Some of the common and major problems of MSMEs, as identified by the Prime Minister's Task Force (2010), are summarized below.

Non-availability of adequate and timely credit, high cost of credit, lack of access to global capital markets, etc., are the important common financial problems of MSMEs. For instance, in India, the borrowing cost is very high at 13-18% as compared to 6-8% in other developed nations. This higher cost of capital is adversely affecting their competitiveness. Besides, collateral security requirements and limited access to equity capital are proving to be other major obstacles for MSMEs in obtaining the required finance.

Problems in the supplies to government departments/agencies, non-availability of raw materials and their procurement at competitive prices, problems of changing business environment, inadequate demand, managerial deficiencies, etc., are other major problems of MSMEs. Inadequate infrastructural facilities such as power, water, road network, etc; low and/or obsolete/outdated technology including inability to access to modern technology, etc., fall into another set of problems of MSMEs.

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Tough competition - both in domestic and foreign markets, and also competition from large-scale organisations, and issues related to taxation are other problems of MSMEs.

Analysing what is going on in the way small and medium enterprises (SMEs) are financed in France, Jean-Paul Betbèze (June 2014) felt that credit hardly grows and companies, more particularly new and tiny, even complain about difficulties in obtaining the required fund. Similarly, in Europe, though SMEs are at the heart of the economy and they are financed primarily by the banking companies, the regulatory measures taken in the past have deeply affected financing of SMEs - say, Jocelyne Bendriss, Bertrand Lavayssière & Mark Tilden (June 2014). As a result, a few alternative sources of financing such as Euro Private Placements (Euro PP), crowd-funding mechanisms, etc., are emerging. And their market shares are expected to increase slowly over the years but substituting only a part of the bank financing. In the light of economic/financial crisis lowering bank lending affecting SMEs, Iota Kaousar Nassr & Gert Wehinger (2014) felt that the capital markets are required to play a bigger role in financing SMEs to make them more resilient to financial shocks.

After examining the nature of shocks that hit the SMEs in Japan (during the global financial crisis owing to massive number of non-performing subprime loans in the US) and how the SMEs responded to these shocks, Kazuo Ogawa & Takanori Tanaka (August 2013) identified three major shocks as demand, supply and financial shocks. Of the three, demand shock was the most prevalent and the financial shock was the least frequent. To face the demand shock, the SMEs initiated many measures including seeking the help from suppliers and financial institutions. However, these measures depended on the bank-firm and customer-supplier relationships. The bank-dependent SMEs had approached their closely affiliated financial institutions for help, and others approached their suppliers for help. Further, it was found that the long-lasting customer-supplier relationship plays a crucial role in mitigating the supply shock.

Due to the problems they are facing, many MSMEs have become sick and many more are on the verge of

becoming sick. And to address this problem of widespread sickness in MSMEs, the Reserve Bank of India (RBI)/Ministry of MSMEs of Government of India (GoI) issued the revised framework on 17 March 2016. The effort of the apex bank and that of Ministry of MSMEs is to make the MSMEs sound economic entities which in turn enhances the performance of their lending (banking) institutions and also that of the whole economy (Inchara P. M Gowda, January 2017).

Though many schemes have been designed and implemented by the governments for the promotion/development of small-scale industries (SSIs), many of these enterprises are facing the financial problem. To help these SSIs, commercial banks are also lending. However, these lender-bankers are facing many problems in recovering their money from SSIs. Hence, it is necessary for the banks to strengthen their debt recovery mechanism and also to follow rigorous credit appraisal by the lending banks - suggests Parameshwara (2015).

On the lines of the above, many more studies have been undertaken and completed by the researchers in the past throwing light on different dimensions of MSMEs. However, all these studies bring the point to the fore that 'finance' is an important and common problem of MSMEs. Both the GoI and the state governments which realized the role and problems of micro enterprises designed many schemes to help them in their financial requirements. One such recent scheme of the GoI is its flagship scheme viz., Pradhan Mantri MUDRA Yojana (PMMY) where MUDRA stands for 'Micro Units Development and Refinance Agency'.

Objective of the Study

In the above backdrop, the present study primarily aims at analysing and presenting the relevant Provisions of PMMY including the role of MUDRA in arranging for financial assistance to micro enterprises during this nearly four-year period of its functioning (after the Scheme was launched on 8 April 2015).

Sources of Data

The primary source of data (i.e., performance statistics of this Scheme) is the website of MUDRA. Besides, necessary literature is also collected from a few

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secondary sources such as research papers, news items in the newspapers, etc.

Methodology

Nature of the present study is purely analytical and descriptive in nature as it (i.e., the present study) aims at analysing the role of MUDRA in arranging for the loans and advances to micro enterprises from banking and other financial institutions. And for the purpose of analysis of data, simple ratios and a few descriptive statistics such as Mean, Standard Deviation (SD), Coefficient of Variation (CV) besides Compound Annual Growth Rate (CAGR) are used.

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After realizing the role and problems of micro enterprises, and also the failure of existing schemes to provide the necessary financial assistance to them, the GoI thought that there is a need for another appropriate mechanism to assist the micro enterprises. Once it realized and convinced about the need for a new mechanism, the work started very briskly as evident from the following.

- 1 The Finance Minister, GoI, in his budget speech for 2015-16 made an announcement of the intention of the government to set up MUDRA.
- 2 Registered MUDRA as a company in March 2015 under the Provisions of the Companies Act, 2013 and also as a non-banking financial institution with the RBI on 7 April 2015.
- 3 And the Scheme was officially launched on 8 April 2015 by the Prime Minister - on the 8th day of the financial year, 2015-16.

The target group of this Scheme is the micro enterprises in the sectors like manufacturing, processing, trading and service such as small manufacturing entities, fruits and vegetable sellers, shopkeepers, street vendors, taxi and truck operators, repair/workshops, food processing units and food service units, machine operators, artisans, etc. These enterprises are proprietary form of units i.e., single ownership units. And most of these units are 'own account enterprises' i.e., the enterprises which are conducting their economic/revenue generating

activities without hired persons on regular basis. Hence, these units are also referred to as, 'non-corporate small business sector'.

Most importantly, only about 5% of these units have access to formal credit from the banking companies and other financial institutions. This only shows that most of these entrepreneurs have been deprived of financial services and assistance from formal banking and financial institutions. Consequently, they are depending on their own finance, and finance from their relatives/friends, and/or private money-lenders.

Of course, MUDRA is not a direct lender to micro enterprises but only a refinancing institution. It does not lend money directly to the micro enterprises. Instead, it (i.e., MUDRA) makes necessary arrangements which enable these micro enterprises to avail (under PMMY) loans and advances from the nearby branches of commercial banks, regional rural banks (RRBs), co-operative banks, non-banking financial companies (NBFC), micro-financial institutions (MFIs), etc. MUDRA refinances these lender-institutions i.e., provides refinance to lender-institutions that seek refinancing of small business loans disbursed under this Scheme. Most importantly, MUDRA is entrusted with the responsibility of monitoring the performance of the Scheme by collecting the details about the number of micro units assisted by banks, amount of loan sanctioned/dispensed by them, etc.

MUDRA Schemes

Under PMMY, MUDRA has designed three schemes/products viz., Shishu, Kishore and Tarun based on the stage of growth/development and also the financial requirements of micro enterprises (Figure - 1).

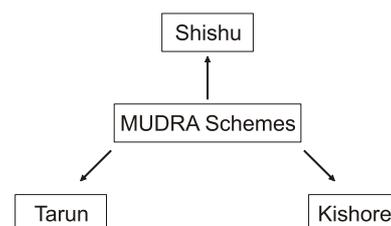


Figure - 1: MUDRA Schemes

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It may be noted here that the maximum amount of loans and advances (to be) sanctioned by the lender-bankers and other financial institutions depends upon the category to which the applicant-entrepreneurs belong. This becomes evident from the following.

- 1 **Shishu:** Loans up to Rs 50,000 per applicant under Shishu category with rate of interest being 1% per month or 12% per annum, and the repayment period is up to five years;
- 2 **Kishore:** Loans exceeding Rs 50,000 and up to Rs 5 lakh per applicant - however, the rate of interest is left to the lender-bankers to decide depending upon the credit history of the applicant, guidelines of the Scheme, etc. Further, the banks are free to fix the repayment period; and
- 3 **Tarun:** Loans exceeding Rs 5 lakh and up to Rs 10 lakh per applicant - even in this case, both the interest rate and repayment period are left to the discretion of lender-bankers as under 'Kishore'.

And the most important feature of this Scheme is that the provision of collateral security for loans under MUDRA is not mandatory i.e., the bankers/lenders are asked not to insist on the collateral security from the loan applicants.

Another important feature of the Scheme is the targets fixed/set for each year and for each bank in terms of amounts of loans and advances sanctioned/dispensed to entrepreneurs under PMMY. For instance, for the financial year 2016-17, the authorities had set a target loan sanction of Rs 1,80,000 crore - public sector banks, Rs 77,700 crore; private sector banks and foreign banks: Rs 21,000 crore; regional rural banks, Rs 15,000 crore; and NBFCs: Rs 66,300 crore. And their (i.e., of lenders) performance is monitored and assessed (against the targets set) by MUDRA periodically.

MUDRA Schemes - Performance

This Scheme is in the fourth year of its functioning after it was formally/officially launched on 8 April 2015. A few statistics for the first three years and up to 15 February 2019 for the fourth year are available. During this short period of 3 years and 10 months, loans and advances are sanctioned to 16.01 crore

entrepreneurs, and the amount of loans and advances sanctioned to them is to the tune of Rs 7.73 lakh crore. Year-wise performance show that in each of these years, the amount of loan sanctioned exceeded the target set. For example, for 2017-18, target set was Rs 2.44 lakh crore of loan, and the lender-organizations sanctioned loans to the tune of Rs 2.53 lakh crore which works out to 103.69% of target loan amount. And even the amount of loan disbursed (of Rs 2.46 lakh crore) is higher than the target loan sanction of Rs 2.44 lakh crore. Most importantly, the ratio of amount of loan disbursed to that sanctioned is very high at 97.23% (for 2017-18) and 96.51% (for the entire study period of 3 years and 10 months). During 2017-18, about 4.81 crore micro entrepreneurs were assisted (Inchara P M Gowda, February 2019).

All these performance statistics signify the laudable success of the Scheme and/or achievements of the government and its agency. The performance statistics for other years are also on the same lines as evident from the following table (Table - 1).

Table - 1: MUDRA - Performance

Year	Number of PMMY Loans Sanctioned	Loan Amount (Rs lakh crore)		
		Target	Sanctioned	Disbursed
2015-16	3,48,80,924	1.22	1.37	1.33
2016-17	3,97,01,047	1.80	1.80	1.75
2017-18	4,81,30,593	2.44	2.53	2.46
2018-19	3,73,39,752	3.00	2.03	1.95
Descriptive Statistics:				
Sum	16,00,52,316	8.46	7.73	7.49
Mean	4,00,13,079	2.12	1.93	1.87
(SD)	57,58,389	0.77	0.48	0.47
CV	14.39	36.51	25.00	25.06
Skewness	1.33	-0.03	0.20	0.27
CAGR	1.72	25.22	10.33	10.04

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Note: Performance statistics for 2018-19 are incomplete - available only up to 15 February 2019. And the target loan amount for this financial year is enhanced to Rs 3 lakh crore (Budget Speech of Finance Minister).

Source: Compiled the table based on the data retrieved from, <https://www.mudra.org.in/> on 24 February 2019 and the calculations made from the above, it is unequivocal that the CAGR is positive for all the four variables/ parameters indicating the overall increase during the period of study. This is reflected in the CAGR of 1.72% (number of units for which loan is sanctioned), 25.22% in the case target loan amount sanction, 10.33% in the case of actual amount of loan sanctioned and 10.04% with regard to the amount of loan disbursed. Besides, both the Standard Deviation and Coefficient of Variation indicate no wide variation in the performance from one year to another. Further, except in the case of target loan sanction (-0.03), in all other three parameters, the Skewness is also positive showing that the number of units for which loan is sanctioned (1.33), amount of loan sanctioned (0.20) and loan amount disbursed (0.27) are skewed towards positive values than the negative values during the study period. These results also substantiate the conclusions drawn earlier based on simple ratios. However, another important dimension is the analysis of scheme-wise sanction of loans and advances. For instance,

- 1 Out of the total loan amount sanctioned during 2015-16 of Rs 1,37,449 crore, Rs 62,894 crore is for 324.01 lakh entrepreneurs under 'Shishu' category. This amount works out to 45.76% of the total loan sanctioned for all three categories. However, the number of entrepreneurs under 'Shishu' category who were sanctioned loans and advances account for 92.89% of total number of loanees of all three categories. Further, the amount of loan sanctioned works out to a meagre Rs 19,411 per loanee under 'Shishu' category.
- 2 On the other hand, 4.10 lakh entrepreneurs under 'Tarun' category were sanctioned loan to the tune of Rs 31,501.76 crore (1.18% of all loanees but

22.92% of total loan amount sanctioned) working out to Rs 7,68,335 per beneficiary as against only Rs 19,411 of loan per loanee/beneficiary under 'Shishu' category.

- 3 In the case of 20.69 lakh entrepreneurs under 'Kishore'(5.93% of loanees), lenders sanctioned loan to the tune of Rs 43,052.55 crore during 2015-16 accounting for 31.32% of total loan sanctioned and this works out to Rs 2,08,083 per loanee.

The above analysis shows that, 92.89% of beneficiaries (Shishu) received only 45.76% of the loan sanctioned, 5.93% of entrepreneurs (Kishore) received 31.32% of loan sanctioned, and the remaining 1.18% of loanees (Tarun) garnered 22.92% of loan sanctioned (Figure - 2). And more or less, same is the pattern in other years i.e., majority of loanees receiving minor share in the loan amount and minority receiving major portion of loan sanctioned

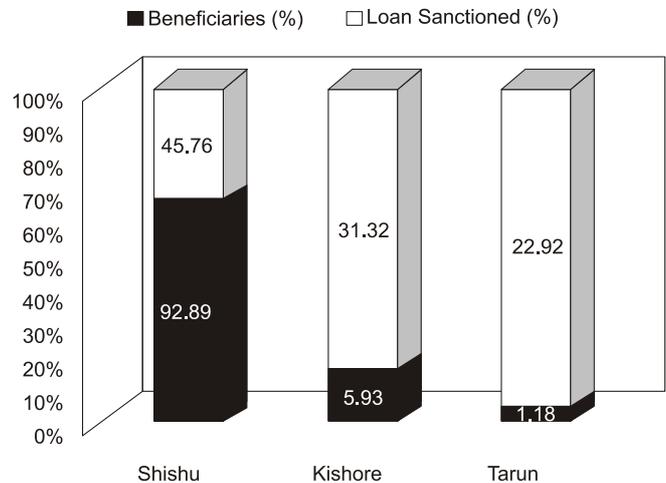


Figure - 2: Shishu, Kishore and Tarun - Relative Share (%)

Findings - Positive Aspects of the Scheme

For many reasons, the Scheme is praiseworthy. However, a few important positive aspects of the Scheme are enumerated below.

- 1 Immediately after the budget presentation (for 2015-16), the Scheme was launched on 8 April

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2015 - making all necessary preparations within a short period of two months and launching of the Scheme within eight days after the commencement of 2015-16 financial year. This shows the necessary preparations made and the effort put in by the government and its Departments. This is commendable as one can observe inordinate delay in the implementation of budget proposals.

- 2 Another positive aspect is the achievements exceeding the targets set for each of the years (except for 2018-19 for which complete details are not available) which is an exceptionally good achievement in India and more particularly, in government sector. Even the amount of loan disbursed exceeded 97% of loan sanctioned which is appreciable.
- 3 The third positive aspect is the continuous improvement in the performance year after year perennially - in terms of number of beneficiaries, targets set, and amounts of loan sanctioned and disbursed (except for 2018-19 for the reasons already stated).

Besides the above, this Scheme has a few more positive aspects. These are summarized below.

- 1 It is reported that 74% of the beneficiaries under this Scheme are women and only the remaining 24% of the loanees are men. Of course, as the Scheme accords preference for women-entrepreneurs, men may be getting/availing the loans and advances sanctioned in the names of women of their families.
- 2 Of the total loan accounts, more than 50% belong to SCs, STs and OBCs - stated the GoI on various occasions.
- 3 Further, 28% of the loanees are first time entrepreneurs i.e., first to take up entrepreneurial activities from their families.
- 4 Another important aspect is that the Gross NPA ratio (of loans under PMMY) is only at 5.38% (as at 31 March 2018) as against little over 10% across all sectors in the country.

Findings - Negative/Undesirable Aspects of the Scheme

Though the Scheme is appreciable and the performance is commendable if one takes the statistics at their face values, it suffers from a few shortcomings. The important short-comings are summarized below.

- 1 As already pointed out, the Scheme requires the lender-bankers not to insist on the collateral security at the time of processing loan applications and sanctioning loans and advances. This 'specification' is contrary to the generally accepted and widely used lending principle of banking companies. It may be noted here that even if majority of borrowers are able and/or willing to repay the borrowed amount promptly, one can find many defaulters including wilful defaulters. In the absence of adequate collaterals, how can the lender-bankers recover the outstanding loan amount from these loanees/defaulters? In this regard, Ashwini Rana, Vice President, National Organization of Bank Workers, criticised the government policy of directing the lender-bankers to sanction loans and advances to micro enterprises without insisting on the collaterals. Devinder Sharma, Policy Expert, went a step ahead by saying that the government has just doled out money to people without any security and lakhs of accounts turning into NPAs. Though the intention of the government is good but diluting the process of credit appraisal is neither desirable nor justifiable. This Clause (of waiving-off the condition of collaterals) may be good politics but bad economics - reported in the press.
- 2 PMMY requires MUDRA to set the targets for the lender-bankers in terms of amount of loan sanctioned/dispensed. Of course, every Scheme must have certain objective, real and measurable targets - realistic and achievable targets but without compromising on the quality of loan assets. However, due to the (over) emphasis on targets and achieving these targets, the bank managers, more particularly that of PSBs, were/

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are under pressure in the race to meet the targets set for them. In the process, lender-organizations might not have been able to evaluate loan applications from the point of view of their financial viability resulting in the quicker sanction of loans and advances based on lightly evaluated credit appraisal reports or without verifying the credentials of loan seekers and with inconsistent appraisal amounts (Mehmet Yazici & Erkut Baloglu, October 2012). To put it alternatively, credit targets are achieved by abandoning appropriate due diligence which only creates a conducive environment for future NPAs - said Dr. Raghuram Rajan, former Governor of RBI in a note to the Lok Sabha Committee on Estimates. Due to these reasons, among others, it is reported that the loans were given, under this Scheme, to the people without any purpose. It is also reported in the press that in the race to meet the targets, the banks even invited/encouraged their customers (i.e., account holders) to avail of the loan facility up to ` 50,000 under 'Shishu' category. And even a few unscrupulous bank managers have/are sanctioned/ing loans under PMMY for personal favours e.g., a case (Barmer, Rajasthan) investigated by the Central Bureau of Investigation (CBI) has revealed a senior official of a PSB providing 26 loans worth ` 62 lakh under PMMY without proper verification. On the other hand, the bank officials are in a quandary - if they sanction loan (without objective credit appraisal), it harms their banks, and if they do not sanction loan, loan seekers complain to politically light to heavy weights.

- 3 The above lacunae (viz., without insisting on collaterals and setting target for lender-bankers) are expected to worsen the already NPA-ridden banks and economy. For instance, the amount of outstanding loan under PMMY is Rs 2.02 lakh crore as at 31 March 2018 and of this, Rs 9,770 crore is classified as NPAs. Some experts projected the NPA figures under PMMY at over Rs 14,350 crore within the short span of three years. It may be noted here that the Scheme has completed only 3 years and 10 months, and major portion of the loan disbursed

under this Scheme has not yet become outstanding. Still, already thousands of crores of Rupees have been classified as NPAs. In spite of this increase in the amount of bad loans, target loan is, more or less, unaffected - rather, it is increasing year after year. Besides, the amount of loan disbursed is also increasing continuously which should be a matter of great concern for bankers and other lenders. This is because of the reason that, the government has not given any assurance to the banker-lenders that any loss (either the loss of interest income or loss on account of failure to repay the borrowed sums by the micro enterprises under PMMY or both) caused to the lenders will be made good by the government. Consequently, already NPA-ridden bankers have to bear the entire loss which will further aggravate their problems.

Suggestions-cum-Conclusion

In the light of the above factual/objective analysis, and also in the light of the experience with the Scheme during the last 3 years and 10 months, it is necessary to strengthen the Scheme by making suitable changes to the guidelines on the following lines.

- 1 The relevant Provision of the Scheme should be revised to incorporate the insistence of adequate collaterals by the banks at the time of processing loan applications. This is necessary to ensure credit culture and to protect the banks. Otherwise, the asset quality of banks may deteriorate further and this may result in many other adverse implications on the performance of banks such as capital adequacy, return on assets, etc.
- 2 Though setting targets is both desirable and necessary, it is not desirable to insist on the banks to achieve/exceed the targets by diluting the quality of credit appraisal. Evaluation of loan applications objectively is the foundation of banking business. Further, it is necessary for the government to allow the lender-bankers to lend only to genuine parties - those who are honest in starting entrepreneurial/business activities and those who provide adequate security for the loan sought.

3 The GoI considers PMMY as one of its ambitious projects. The government expects this Scheme to ensure self-employment to loanees - loanees becoming the employers of their business entities (however small they are) - this is more so under 'Shishu' category. Under 'Kishore' and 'Tarun' categories, the loanees are expected to generate a few more employment opportunities to others. Under 'Shishu', average amount of loan provided per loanee/entrepreneur amounts to about Rs 20,000 which is very meagre to start any industrial/business unit. Hence, it is necessary to increase the amount of maximum ceiling appropriately.

In the light of above, it is concluded that the Scheme is good but needs revisions on the lines suggested above. Again, it is necessary for the banking companies which provide the loans and advances under this Scheme to monitor the projects funded by them closely to ensure that the money is used by the loanees for the purpose for which it is sanctioned/dispensed. On their part, the loanees should make use of the opportunity to take up the revenue generating activities in whatever little way they can with the limited resources. And they should aim at continuous improvement/expansion in the business thereby mitigating the unemployment problem of the country and also by contributing to the country's GDP.

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