



A Study on Social Financial Products in a National Financial Inclusion- Through MUDRA YOJANA

Dr. K. Manjunatha	Prof. K.M. Mahesh
Research Supervisor Dravidian University & Associate professor, Works at Department of Commerce & Management, Seshadripuram College, Bangalore	Research Scholar Dravidian University & Works at Department of Commerce, Sri Bhagawan Mahaveer Jain Evening College, Bangalore.

Abstract

Society is a system that provides a healthy environment for all the living beings. It is a web of social relationships that are dynamic in nature. But in the present scenario, there are certain emerging social issues like illiteracy, poor healthcare facilities, mobilization of small savings, old age problems, employment etc. One of the effective solutions to these issues is the ‘Social Financial Products. A product is any want –satisfying attribute a society receives in exchange. The product benefits could be physical as well as psychological whereas, finance is very effective tool in enhancing economic opportunity and fighting emerging social issues.

The term ‘Social Financial Product’ means to generate purchasing power in rural markets, largely in the hands of the less, under-privileged and young people, to empower them to acquire and possess sustainable income generating assets, at an affordable cost and accelerate economic growth with social equity. The genesis of social financial product in India can be traced back to the distribution of Taccavi Loans to the cultivators by the state to meet exigencies arising out of crop failure¹. Few examples of Social Financial Products- Mudra, Stand Up India, Pradhan Mantri Jan-Dhan Yojana (open bank account), BHIM (Payment app), Pradhan Mantri Jeevan Jyoti Bima Yojana (Life insurance scheme), Pradhan Mantri Suraksha Bima Yojana (accident insurance scheme), Atal Pension Yojana (Pension scheme for securing old age), Rupay Card, and Micro, Small And Medium Finance². The term ‘Financial inclusion’ means availability of Financial support and Services through financial intermediaries at an affordable rate to non –corporate small business sectors, security for life, entrepreneurship development, cashless payment and receipts and great future for young people.

¹ <https://www.rbi.org.in>

² <http://pmjandhanyojana.co.in>

Richard H Thaler Nobel Memorial Prize in Economic Science for the year 2017 said “In order to do good economics you have to keep in mind that people are human” Richard H Thaler’s work focuses on “Social preferences “value for the welfare of others in positive and negative ways. Richard H Thaler’s work focuses on “limited control” relating to the age-old problem and quotes on social products like National Pension Scheme in India. MUDRA Bank, Commercial Banks and SIDBI are primarily responsible for promoting and providing support for Small and medium enterprises and also support services for achieving financial inclusion in India.³ The Small Industries Development Bank of India (SIDBI), the nodal agency for the promotion and financing of (MSMEs). The government of India has launched MUDRA PROTSHAN ABHIYAAN across India to develop, empower and transform lives for the better.

Financial Inclusion is a much-cherished policy in India and our economic policy has always been driven by an underlying intent of a sustainable and inclusive growth.⁴ The main aim behind the financial inclusion is to cover the all section of the population under financial services and banking services through a social financial product such as savings, insurance, pension and credit.

Article in The Economic Times	Dated 12 Oct 2017 on SIDBI
Interview gave to Business Standard by Richard Thaler on ‘NUDGE’ Theory	Dated 11 Oct 2017

Keywords; Social Financial Product, MUDRA Bank, Commercial Banks, SIDBI, Financial inclusion, Small and medium enterprises, transform life for the better, the government of India.

Introduction

The government of India embarked on the path of social financial products for the benefit of informal sector enterprises, the transformation of life for the better, and for empowerment. The Role of banking institutions has greatly influenced the growth of social financial product in a National Financial Inclusion. It has introduced a number of social financial products such as Pradhan Mantri Mudra Yojana (PMMY), Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Surakhsha Bima Yojana (PMSBY) and Atal Pension Yojana (APY) etc., for the weaker section, low income groups, small businessman and micro enterprises. PMMY was announced by the Hon’ble Prime Minister Shri Narendra Modi on 8th April 2015 along with the announcing of MUDRA bank. It is also known as the Mudra loan scheme. This scheme is open and is available from all bank branches across the country.⁵

MUDRA stands for Micro-Units Development and Refinance Agency, initiating This -scheme was announced in the Union Budget of the financial year 2015-16. It was actually Sketched and outlined by Hon’ble Prime Minister of India under the ambitious PMMY (Pradhan Mantri Mudra Yojana), a scheme funding the unfunded. This scheme came into force on 8th April 2015. It is being set up through a statutory enactment. But the enactment is likely to take some time, temporarily; MUDRA will start its functioning under SIDBI as a Subsidiary and registered NBFC that stands for Non-Banking Financial Corporation.

³<http://relevantscience.blogspot.in/2017/10/nobel-in-economics-is-awarded-to.html>

⁴<https://www.bis.org/review/r160930h.htm>

⁵<http://www.dnaindia.com/money/report-11-things-you-must-know-about-mudra-bank-2075665>

Objectives

1. To understand an overview of the social financial products through MUDRA scheme, adopted in the country.
2. To analyze the impact of social financial products through MUDRA scheme in the Indian economy.

RESEARCH METHODOLOGY

Looking into requirements of the objectives the proposed research is based on secondary data which was collected through journals, articles, research papers and reports available at official website of MUDRA.

MISSIONS OF VARIOUS SCHEMES

- **Financial Inclusion of the Poor: Prime Minister Jan Dhan Yojana.** This is a very significant scheme that strives to end Financial Untouchability by ensuring that the economically weaker sections have access to bank accounts.⁶
- **Expansion of Social Security Net.** This has been achieved through Pradhan Mantri Suraksha Bima Yojana (Accident Insurance), Atal Pension Yojana (Unorganized Sector) and Pradhan Mantri Jeevan Jyoti Yojana (Life Insurance), which provide social and economic security to the society.
- **Institutional Support for Subaltern Entrepreneurship.** This has been achieved through MUDRA Bank, to provide microfinance to entrepreneurs in the rural hinterland of India.
- **Stand up India-** This scheme was recently launched to boost the spirit of entrepreneurship among the rural and semi-urban groups of the society.

Mission of MUDRA initiative

A vast part of the non-corporate sector operates as unregistered enterprises. They do not maintain proper Books of Accounts and are not formally covered under taxation areas. Therefore, the banks find it difficult to lend to them.⁷ Majority of this sector does not access outside sources of finance.

It is in this backdrop that Government of India (GoI) is setting up a Micro Units Development & Refinance Agency (MUDRA) Bank through a statutory enactment. This Agency would be responsible for developing and refinancing all Micro-finance Institutions (MFIs) which are in the business of lending to micro / small business entities engaged in manufacturing, trading and service activities. The Bank would partner with state-level / regional level coordinators to provide finance to Last Mile Financiers of small/micro business enterprises. Since the

⁶<http://employmentnews.gov.in/NewEmp/MoreContentNew.aspx?n=InDepthJobs&k=110>

⁷<http://www.mudra.org.in/AboutUs/Genesis>

enactment is likely to take some time, it is proposed to initiate MUDRA as a unit of SIDBI to benefit from SIDBI's initiatives and expertise.

In nutshell, the mission statement is: "To create an inclusive, sustainable and value-based entrepreneurial culture, in collaboration with our partner institutions in achieving economic success and financial security."

To encourage the savings under Prime minister Jan Dhan Yojana (PMJDY) Total balance in these accounts now stands at 67,330 crores.

Table showing cash inflow under Prime Minister Jan Dhan Yojana (PMJDY)

Month	Crore
July to August	`2,554
August to September	`1,108
September to October	`722 & 724
Beneficiaries	Rural and Semi-urban

RuPay card: Increased use of RuPayu cards offers many advantages and it is also incentivizing the rural population to keep balance in their accounts.

Table showing No of users

Till October	`23crore
Beneficiaries	Rural and Semi-urban

The Hindu-Business Line October 24, 2017

Employment-Mudra Yojana –“A game changer initiative on Job creation”

It generates 5.5 crore Job
Beneficiaries- Karnataka ,Tamil Nadu, Maharashtra
Sectors- Nonagricultural active-dairy, poultry, beekeeping

MINT, October 25, 2017

The Government Of India to boost economy announced a package to Mudra Bank and Stand- Up India scheme in 50 high –employment MSME clusters.

Promote entrepreneurship amongst the scheduled castes

Beneficiaries	%
Scheduled tribe category	5%
Scheduled caste category	20%
Other backward classes	35%
Women	70%

Impact on the Indian economy

Since MUDRA scheme will be benefiting many micro and small entrepreneurs and unemployed educated youth who are seeking financial support from the formal banking sector, the economy will note a favourable and healthy change.

Few significant impacts are as follows-

1. **Employment Generation:** Approximately 5.77 small businesses are expected to be benefited from MUDRA scheme who employs nearly 12 crores of people. No doubt, with the increase in capital, there will be an increase in employment.
2. **GDP Growth:** Because of MUDRA, availability of organized financial system will be possible and will contribute to improving the country's GDP.
3. **Women empowerment:** The general belief that the role of women is to look after home affairs, has been changed because of PMMY, as MUDRA scheme focuses on skill development, women will also be economically independent.
4. **Standard of living of people:** Since the increase in the income is achieved, spending will also increase in direct proportion, and as a result, there will be a smooth flow of money in the economy.
5. **Promote capital formation:** When job seekers will be the job creators because of MUDRA, automatically capital will be formed and economy will be strengthened.
6. **Increase entrepreneurial spirit:** MUDRA will act as a PUSH factor for bringing individuals into the businesses and creating many 1st Generation entrepreneurs.

Scope for further research

- Time constraints while collecting the secondary data for the study.
- All the data for the study cannot be generalized.

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The Hindu-Business Line October24, 2017

MINT, October25, 2017

Economic Times 2017

Exhibit -1

Sl.No	State Name	Beneficiaries at rural/semi-urban centre bank branches	Beneficiaries at urban/metro centre bank branches	Total Beneficiaries	Balance in beneficiary accounts (in crore)	No. of RuPay cards issued to beneficiaries
1	Andaman & nicobar islands	242,016	553,275	795,291	65.65	702,350
2	Andhra pradesh	3,854,442	3,911,750	7,766,192	1,085.89	6,383,021
3	Arunachal pradesh	139,879	99,086	238,965	71.28	182,343
4	Assam	9,688,801	3,176,492	12,865,293	2,611.46	9,477,559
5	Bihar	20,908,077	11,473,427	32,381,504	5,849.57	21,899,841
6	Chandigarh	34,581	191,211	225,792	91.40	189,497
7	Chhattisgarh	8,763,865	4,410,796	13,174,661	1,943.22	8,721,737
8	Dadra & nagar haveli	84,014	13,678	97,692	32.95	62,541
9	Daman & diu	21,687	16,263	37,950	14.24	24,179
10	Delhi	457,879	3,380,905	3,838,784	1,414.70	3,058,721
11	Goa	104,859	51,764	156,623	72.20	132,234
12	Gujarat	6,142,124	5,484,130	11,626,254	2,801.25	9,109,333
13	Haryana	3,332,250	2,888,889	6,221,139	2,285.50	5,215,461
14	Himachal pradesh	834,362	123,327	957,689	427.61	773,700
15	Jammu & kashmir	1,698,369	280,093	1,978,462	705.58	1,514,128
16	Jharkhand	8,039,873	2,798,401	10,838,274	2,038.14	7,833,584
17	Karnataka	6,159,967	3,944,822	10,104,789	2,257.67	8,532,551
18	Kerala	1,763,238	2,225,418	3,988,656	1,125.88	2,853,304

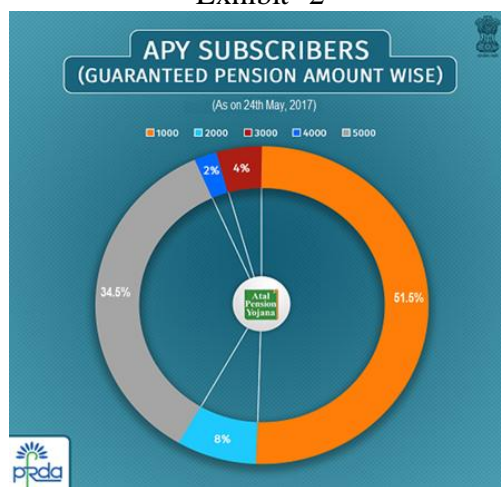
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19	Lakshadweep	10,088	11,467	21,555	10.65	18,102
20	Madhya pradesh	13,042,571	14,304,186	27,346,757	3,136.88	19,156,560
21	Maharashtra	10,791,813	10,653,072	21,444,885	3,822.13	14,759,053
22	Manipur	361,707	449,384	811,091	205.40	691,286
23	Meghalaya	344,610	69,093	413,703	193.54	234,323
24	Mizoram	123,046	192,490	315,536	56.42	108,964
25	Nagaland	118,429	121,221	239,650	39.18	185,130
26	Odisha	8,929,839	3,334,797	12,264,636	2,963.44	9,263,515
27	Puducherry	432,564	1,007,833	1,440,397	131.68	1,259,745
28	Punjab	3,286,654	2,476,573	5,763,227	2,020.07	4,814,288
29	Rajasthan	12,621,574	7,796,869	20,418,443	5,175.55	16,849,544
30	Sikkim	77,980	25,721	103,701	34.04	78,209
31	Tamil nadu	4,272,070	4,757,784	9,029,854	1,547.47	7,709,891
32	Telangana	5,049,245	3,776,708	8,825,953	1,293.82	7,181,111
33	Tripura	591,910	241,534	833,444	663.15	716,724
34	Uttar pradesh	28,525,359	19,322,288	47,847,647	10,992.78	36,536,828
35	Uttarakhand	1,406,533	794,982	2,201,515	779.06	1,717,328
36	West bengal	20,265,150	9,156,499	29,421,649	9,728.28	21,836,281
	Total	182,521,425	123,516,228	306,037,653	67,687.72	229,782,966

Source: <https://www.pmjdy.gov.in/>

Exhibit -2



Source: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=162145>

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