



FINANCIAL INCLUSION THROUGH PRADHAN MANTRI MUDRA YOJANA (PMMY) IN RURAL DEVELOPMENT OF HIMACHAL PRADESH

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ABSTRACT

The importance of financial inclusion (FI) in the social and economic growth of the nation cannot be overlooked. It is a step towards providing access to affordable and useful financial services to the deprived section and less income group of the economy. The Indian Government has started some important steps to provide finance to micro enterprises through a new FI initiative like Mudra Yojana. It was launched on April 8, 2015 and is mainly concerned with the non-farming micro enterprises, with credit needs less than Rs. 10 lakhs. The purpose of the research article is to study the conception of Pradhan Mantri MUDRA Yojana and analyse its current progress & performance in the state of Himachal Pradesh.

The present study is based on secondary data. Secondary data have been accumulated from published previous research articles, annual reports of SLBC, and annual economic survey of Himachal Pradesh Government and from the official website of MUDRA. It has covered the period during April 2015 to March 2019. For statistical description, average, percentage, comparative tables have been used. The present study has provided new insights, that how financial inclusion initiatives through MUDRA Yojana are beneficial to the financial & economic growth of rural people of Himachal Pradesh. The research study has also contributed to the balanced growth of the state economy through improvement in financial literacy, income & employment generation activities, health, road connectivity and education system. The research study has certain limitations. First one is, the research study is restricted to Himachal Pradesh only due to resources and time constraint, the second one is, the research study is limited to the financial inclusion initiatives through MUDRA Yojana for rural development and the last one is, only four years of data has been taken for the research study.

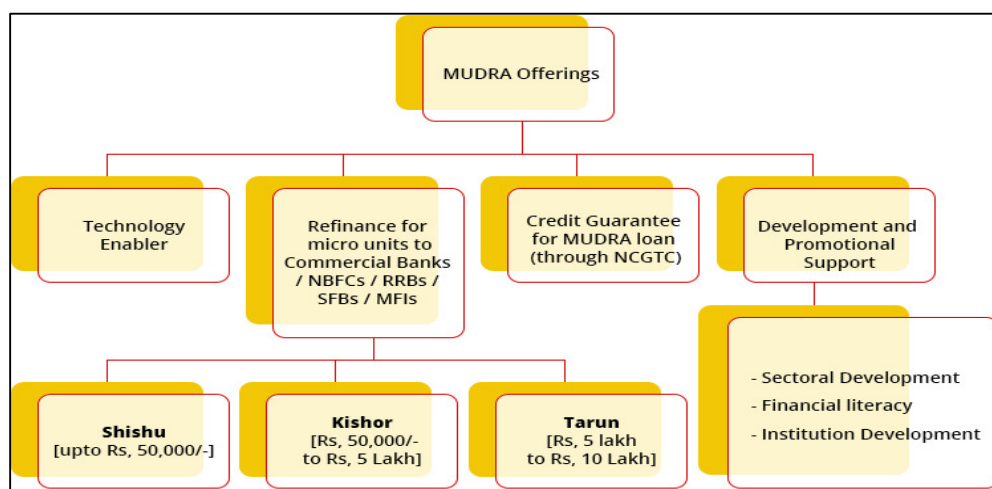


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INTRODUCTION

MUDRA in India has been started as an NBFC to support the development of the micro enterprise sector. It provides refinance facility to MFIs, Banks, and NBFCs for providing loan up to 10 lakhs to micro-units. It works as a refinance agency under the Scheme of Pradhan Mantri MUDRA Yojana. The scheme was launched in the country on April 8, 2015. It is mainly concerned to provide loans up to Rs. 10 lakhs to the micro-enterprises consisting of non-farm enterprises, and all the loans given to these segments for income generation activities will be known as MUDRA loans. The products offered by MUDRA are given below.

Figure 1: Products offered through MUDRA



Source: <https://www.mudra.org.in>

LITERATURE REVIEW

Vijay Kelkar (2010) described that the Indian economy had been significantly influenced by finance. Increment in FI initiatives will decrease farmers' indebtedness, and it will lead to the modernization of agriculture in India. Enhancement in FI provides better management of risk to the farmers. It would encourage them to accept new techniques at a higher rate and make a positive impact to boost innovation and entrepreneurship. Savitha, B. and Jyothi, P. (2011) discussed women empowerment in their research paper, "Financial Access and Women Empowerment." The author focused on accessing the financial knowledge among females towards banks' services in urban and rural areas and describes how FI initiatives can improve

women's access to finance. The study also revealed that access to finance is majorly influenced by the awareness of females towards financial services. Possession of a bank account develops a sense of empowerment in women.

Bharat, M. Kher (2013), stated that the Government of India established RRB to develop the rural economy. The main objective of establishing RRB is to provide finance to the rural public who are financially weak, especially farmers, laborers, artisans etc. Another article related to the financial inclusion through rural banking was published by Pooja (2014). The study explored that finance in the rural area has been considered as an input for institutional finance and rural development. It is an important condition for rural development. RRB is a financial institution; that provides financial help to small farmers, artisans, laborers, micro industries to develop productive activities and banking habits among the rural peoples. Gwalani Hema & Parkhi Shilpa (2014), in their article, described the four models of FI in India, i.e., Lead bank scheme, banking through correspondent, Mobile banking, and Microfinance model. They have further included that adopting any model is not sufficient until proper regulatory and policy changes are not made to implement financial inclusion schemes.

Further, in the field of financial inclusion in rural areas, Varun Saini (2015) conducted a study and concluded that the lead bank scheme started by Apex Bank of India to decrease the sectorial imbalances that exist in the rural economy. After analyzing the relevant data, the study explored that financial inclusion under the lead bank scheme positively affects the financial status of rural households. Dola Singh (2018) publishes the article titled "Financial performance appraisal of The Himachal Pradesh State Co-operative Bank." The study shows that bank has performed in a well systematic manner in the rural market of Himachal Pradesh. Bank has obtained tremendous growth over the past few years and has adequate liquidity to meet its short-term as well as long-term obligations. Moreover, banks are playing an important role in the economic growth of the state by their different financial inclusion schemes.

Peterson K. Ozili (2018), in his article, defined the relation between FI and digital finance. FI & digital finance are providing many benefits to finance providers, the government, and the economy, such as decreasing the financial cost of transactions for financial institutions & increase the access to finance among poor individuals. Digital finance provided by finance technology companies has spread a positive impact on financial inclusion in emerging/developing economies. Digital finance is valuable to an individual due to its low operation cost as compare to traditional regulated banking. Inoue T. (2019), through her paper titled "Financial inclusion and poverty reduction in India" put forward a step towards rural development and try to analysed the impact of FI through commercial banks in development. In her study results shows that FI initiatives are helpful in poverty reduction. To analyse the fact, it has been concluded that government banks as compare to private banks have larger estimated values of FI. This implies that, government banks in India have made a greater contribution in poverty reduction as compare to other banks. In India Public sector banks have seventy per cent share of Indian banking sector and providing major contribution in the rural development.

OBJECTIVES

1. To analyse the current status of Pradhan Mantri MUDRA Yojana in Himachal Pradesh.
2. To study the key challenges in effective implementation of Pradhan Mantri MUDRA Yojana in rural development of the state and offer possible suggestions for their improvement.



METHODOLOGY

Present study is based on secondary data. Which have been accumulated through published previous research articles, annual reports of SLBC, and annual economic survey of Himachal Pradesh Government and the official website of MUDRA. It has covered the period from April 2015 to March 2019. For statistical description, average, percentage, comparative tables have been used.

DISCUSSION & FINDINGS

FINANCIAL INCLUSION INITIATIVES IN INDIA

This concept had started in India when inclusive banking began with the nationalization of banks in July 1969 and April 1980. The term 'FI' in India was started in 2004 by the Governor of RBI (Dr. Yaga Venugopal Reddy). This concept's real thrust comes in the year 2005 when Apex Bank of India highlighted its yearly policy statement. In the year 2008 Indian Government appointed a committee under the chairmanship of Dr. Chakravarthi Rangarajan (19th Governor of RBI) about financial inclusion. Indian Government has introduced many schemes to increase financial inclusion. These initiatives provide a solid base for the growth of poor rural peoples. The Government of India has started various financial inclusion schemes over different years, as shown in Table 1.

Table 1: Major Financial Inclusion Initiatives in India

Years	Name of Initiatives
1969	Nationalization of fourteen banks.
1975	Formation of RRB's.
1980	Nationalization of six banks.
1982	Formation of National Bank for Agriculture and Rural Development.
2000	Formation of SIDBI for Micro Credit.
2006	Formation of committee on FI under the chairmanship of Dr. C. Rangarajan.
2008	Final report on FI submitted by Rangarajan committee to the Finance Minister.
2011	Reserve Bank of India launches Swabhiman Campaign.
2013	DBT (Direct Benefit Transfer) & AADHAR (Unique Identification Number) Scheme.
2014	Pradhan Mantri Jan Dhan Yojana (PMJDY).
2015	Launching of Suknya Samridhi Yojana, Stand up India Scheme, PMMY, Pradhan Mantri Surksha Bima Yojana (PMSBY), Pradhan Mantri Jeewan Jyoti Bima Yojana (PMJJBY).
2016	Demonetization, RBI approval to setup Small Finance Banks, Payments Banks.
2017	Launching of Indian Post Payment Bank.

Source: Author compilation



Table 2: Current performances of MUDRA Yojana in India as of March 31, 2019

(Amount in Rupees Crores)

Category	SHISHU (Loan up to Rs. 50,000/-)		KISHOR (Loan from Rs. 50,000 to Rs. 5.00 lakhs)		TARUN (Loan from Rs. 5.00 to Rs. 10.00 lakhs)		TOTAL	
	No. of A/Cs	Amount Disbursed	No. of A/Cs	Amount Disbursed	No. of A/Cs	Amount Disbursed	No. of A/Cs	Amount Disbursed
General	5993019	73985.06	4439825	75818.02	1302379	63984.62	31735223	213787.70
SC	8767153	22556.66	552277	5069.80	133089	1362.91	9452519	28989.37
ST	3012074	7421.42	200315	2195.75	128940	973.10	3341329	10590.27
OBC	13735192	35688.40	1413592	16784.42	192463	5971.21	5341247	58444.04
Total	51507438	139651.54	6606009	99868.00	756871	72291.84	59870318	311811.38
Woman Entrepre neurs	34403578	93977.00	2875392	25666.77	783591	9509.46	37062562	129153.23
New Loan Accounts	10935180	28768.86	2016546	40195.47	442076	31961.25	13393802	100925.58
Minority	5455596	14604.17	725905	9244.44	70139	5180.85	6251640	29029.47

Source: <https://www.mudra.org.in>.

FINANCIAL INCLUSION THROUGH FINTECH

It refers to the use of modern technology in the financial sector. FI is extensively improving across the world with the usage of modern technology. Fintech companies are very useful to the customers due to their low-cost services. These companies motivate rural people to obtain a loan and open a bank account using mobile phones. Some people have started usage of advanced fintech options, i.e., digital payments system, crowdfunding, electronic wallets, etc. They are making payments through e-commerce for the products and services from their residential regions. The Indian government has also started many e-wallet systems with the help of smartphone apps such as BHIM, GooglePay, PayTM etc. The e-wallet refers to the pocket which can be used with the help of mobile phones. With the help of this app, users can make online as well as offline cashless transactions. These electronic means (e-wallets) can be used to pay utility bills, recharge the mobile phone, and shopping. Many attractive offers and discounts are provided to the peoples who make digital transactions. These new initiatives are very useful to the financially deprived and weaker society of the Indian economy.



FINANCIAL INCLUSION IN HIMACHAL PRADESH

Himachal Pradesh is situated in the Western Himalayas and northern part of India. It makes boundary with J & K, Punjab, Haryana, Uttarakhand, and Tibet. Acharya Diwakar Dutt Sharma is the founder of the state. Before India's independence, Himachal comprised the hilly region of Punjab province of British India. After independence, many of the hilly territories were organized, and it became the Chief Commissioner's province on April 15, 1948. On January 26, 1950, it became a part C state. On July 1, 1954, some lower Himachal parts got combined and transformed into a single entity, i.e., Bilaspur. On November 1, 1956, the state got the status of U.T. After the partition of Punjab & Haryana, some parts of Punjab amalgamated with H.P. on November 1, 1966. After the long battle to become a state, the Parliament of India passed the state of Himachal Pradesh Act on December 18, 1970, and we get a new state on January 25, 1971, with an area of 55,673 square km (www.himachal.nic.in). As per the census 2011, the state has recorded a total population of 68,64,602, including 90 percent rural population. Himachal Pradesh is becoming a rising economy in the country due to its hardworking people and its progressive policies.

The state comprises twelve districts, and lead banking responsibility has been allotted to three banks: UCO, PNB, and SBI. The UCO bank is designated as the convenor bank of the state. As of March 2019, 21 government banks, 01 RRB, 11 private banks, 04 cooperative banks, and 05 urban cooperative banks are operating in the state (state-level banking committee reports, 2019). The state has a network of 42 banks with 2175 branches, including 1724 rural branches along with 2034 ATMs, briefly shown in Table 3.

Table 3: Banking network in Himachal Pradesh as of March 31, 2019

Name of District	Number of Bank Branches				Total
	PSBs	RRBs	Pvt. Sector Bank	Cooperative Sector Banks	
Kangra	217	51	23	126	417
Shimla	198	26	37	81	342
Solan	167	12	32	49	260
Mandi	120	56	10	62	248
Hamirpur	90	24	7	51	172
Una	92	11	10	42	155
Sirmour	87	9	11	35	142
Kullu	67	19	11	30	127
Bilaspur	63	14	4	39	120
Chamba	45	38	5	31	119
Kinnaur	28	3	1	18	50
Lahul & Spiti	14	2	0	7	23
Total	1188	265	151	571	2175

Source: SLBC Report 2018-19

The state has an average population coverage per branch of about 3156 compared to the national level population, which is about 11,000. There are 1188 branches of PSB's in the state. They have a branch network of approximately 55 percent. Punjab National Bank has 339 branches, the largest in the state, followed by SBI with 324 branches. The state has 151 branches of private sector banks, and HDFC is the leading bank in this race, having 67 branches. We are also having RRB's in the state with a total branch network of 265 branches. The cooperative banks in the state have also contributed to the branch network of 545. State apex cooperative bank (HPSCB) and KCCB have individually equal branch share of 217. In the district-wise statistics, the branch network in Kangra district has the highest number of 417 branches, and Lahul – Spiti is the least number of bank branches - 23. (State Level Bankers Committee Report).

Banks in the state provide technology-based banking services, i.e., ATM, debit/ credit/ RuPay/Kisan credit cards, telebanking, electronic fund transfer, mobile banking, online bill payments, online shopping facility to their rural and urban customers. According to the SLBC report, as of March 2019, approximately 96 percent of bank branches in the state are on core banking solutions platform. For the upliftment of depriving and weaker section of the society in the state, banks are actively participating in Government financial inclusion schemes, i.e., PMJDY, PMMY, APY, Mukhya Mantri Swavlamban Yojana, Mukhya Mantri Ajivika Yojana, National Rural Livelihood Mission (NRLM), etc. (State Level Bankers Committee Report).

FINDINGS

Mudra Yojana was launched in the country on April 8, 2015, including Himachal Pradesh. The scheme is mainly concerned with the micro-enterprises of non-farm enterprises whose credit needs are below Rs. 10 lakhs & all the credits provided for income & employment activities are known as MUDRA loans. Banks in Himachal Pradesh have disbursed the loans under this scheme amount to Rs. 2,900.07 crores and are covering 1,72,864 micro and small entrepreneurs; it includes Rs. 1220.91 crores to 66,346 new micro-entrepreneurs. The MUDRA scheme aims to provide financial support for small businesses that generate employment for most of the Indian working population and create an inclusive, sustainable and value-based entrepreneurial culture. The status of these financial inclusion initiatives in H.P. shown as a rising trend.

Table 4: Current status of PMMY in Himachal Pradesh as of March 31, 2019

S. No.	Years	No. of disbursements	Amount in Lakhs
1	2015-16	70,054	94,060
2	2016-17	45,860	78,158
3	2017-18	51,382	1,35,201
4	2018-19	66,346	1,22,090

Source: State-level banking committee reports

CONCLUSION

The result shows that most people in the rural area of the state are out of reach from the financial services. Due to that, they are not included in the social & economic growth of the state. GOI and state governments have started various FI schemes to uplift the poor people in the state. These efforts have achieved their targets up to some extent. As of March 31, 2019, banks have more than 10.99 lakh BSBDA's under the PMJDY scheme in Himachal Pradesh. In the case of universal social security initiatives, i.e., PMSBY, PMJJY, APY, the banking sector in the state has put forward a step with the state Government. In the field of rural development, MUDRA Scheme has proved a milestone in employment generation. To increase rural people's awareness level about financial services and access, banks are conducting Financial Literacy camps continuously once a month, focusing on digital literacy.

Financial inclusion initiative through MUDRA Yojana in the state has to face many obstacles in its implementations, i.e., geographical, health, educational barriers, gender issues, caste and religion, family discouragement, fewer female enrolments under these schemes as compared to male. As per the ground realities still, there is a gap in growth expected in rural development. For proper financial access in rural areas, banks should provide affordable and uncomplicated products and mobilize rural people's savings into the formal economic system.

In changing scenarios, to increase the reach of inclusion initiatives among the poor, vulnerable sections of the society, it is suggested that there should be proper coordination between bank officials and the state as well as central government officials for effective implementations of the MUDRA Yojana. It is also suggested that to improve the financial services in the remote area, and digital/technology-based/internet banking should be promoted.

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