

MUDRA: A Pathway to Financial Inclusion

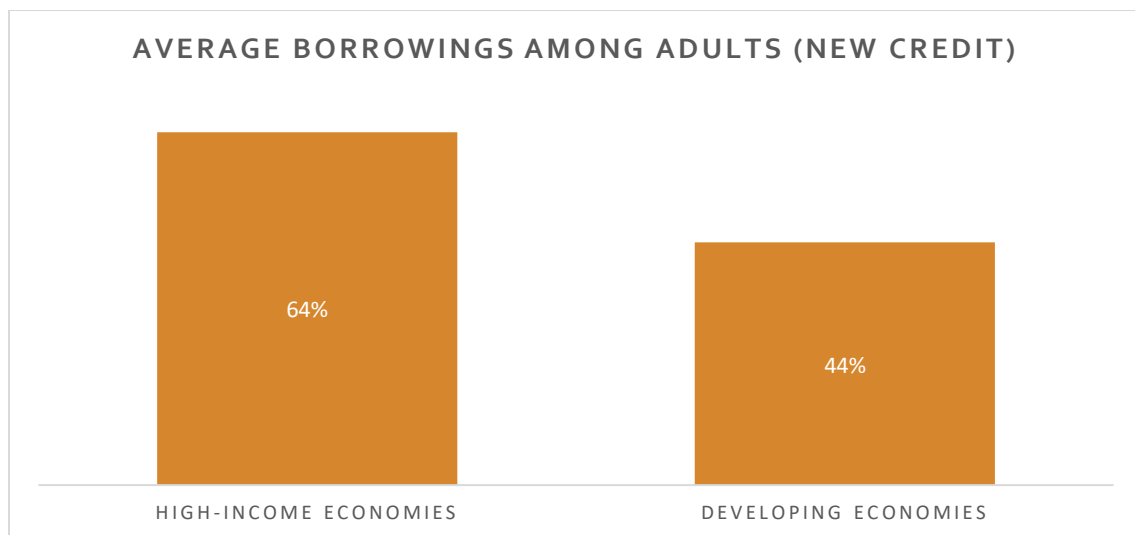
Introduction

Ensuring access to flexible credit across all economic levels of beneficiaries regardless of the demographic variability has been one of the major objectives of the **current government in India in the last five years**. In the process of building competent **financial systems** the government has also evolved as the largest credit provider to citizens in geographies that have often remained unbanked. An example of this continuous effort is seen through the **implementation of schemes like Jan Dhan and MUDRA** which has helped in increase of coverage of financial products to the last mile beneficiaries evolving a behavior of self-employment and entrepreneurship among the borrowers. This has been done by introducing **single window loan clearances** with **easy and flexible repayment options** to avoid future chances of becoming a non-performing asset (NPA) and getting trapped in **recurring debt**. As per the latest figure released by **Ministry of Finance (MoF)** a total of **3.89 cr MUDRA loans has been sanctioned in the fiscal so far**, with an aim of **increasing error free disbursement** in the next forthcoming quarters. The following paper is to give the readers a schematic representation on pathways to access to credit in India under MUDRA and a global picture of how the developing economies are featuring in **terms of account ownership patters, credit flow etc**. Through a **series of graphs and pointers** the paper tries to provide its readers with an avid visualization on some of the **key statistical points on financial inclusion** depicting a trend on **male vs female borrowing patterns** and its effect on **household level indicators**. The paper is distributed into two parts, purely done for clarity to provide the reader first with a global perspective on credit and borrowing patterns and then the later on the **performance of MUDRA with a gendered aspect into credit borrowing**.

PART I

1. Trends on Credit Flow: Global

Globally in 2017, as per the Global Findex Database, 47 percent of adults reported borrowing money in the past 12 months, including borrowings through the credit card. The share of adults with new credit (formal or nonformal), averaged 64 percent across high-income economies and 44 percent across developing economies. The major sources of credit were formal borrowing for the high-income economies and family and friends in developing economies. Countries like **Canada, USA, Australia** had most adults borrowing from a formal institution.

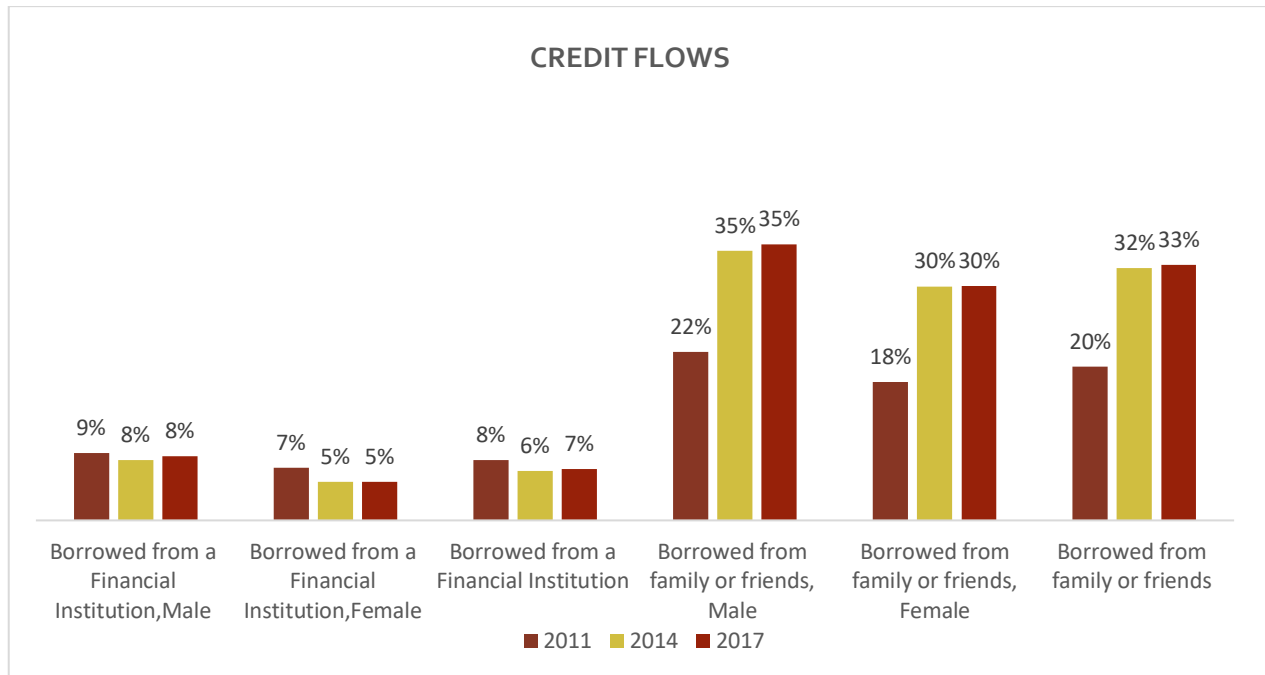


Source: World Findex Database, 2017

2. Trends on Credit Flow: India

The graph shows the source of credit flow for Indians in three categories: Overall, Male and Female above 15 years of age. Over the period of 2011-2017, two observations can be made:

- An increase in female borrowings from a financial institution as well as from the family and friends.
- The percentage of females borrowing from a financial institution or family or friends were lesser than males signalling a gender gap.



Source: World Findex Database, 2017

3. Trends on Account Ownership: Global

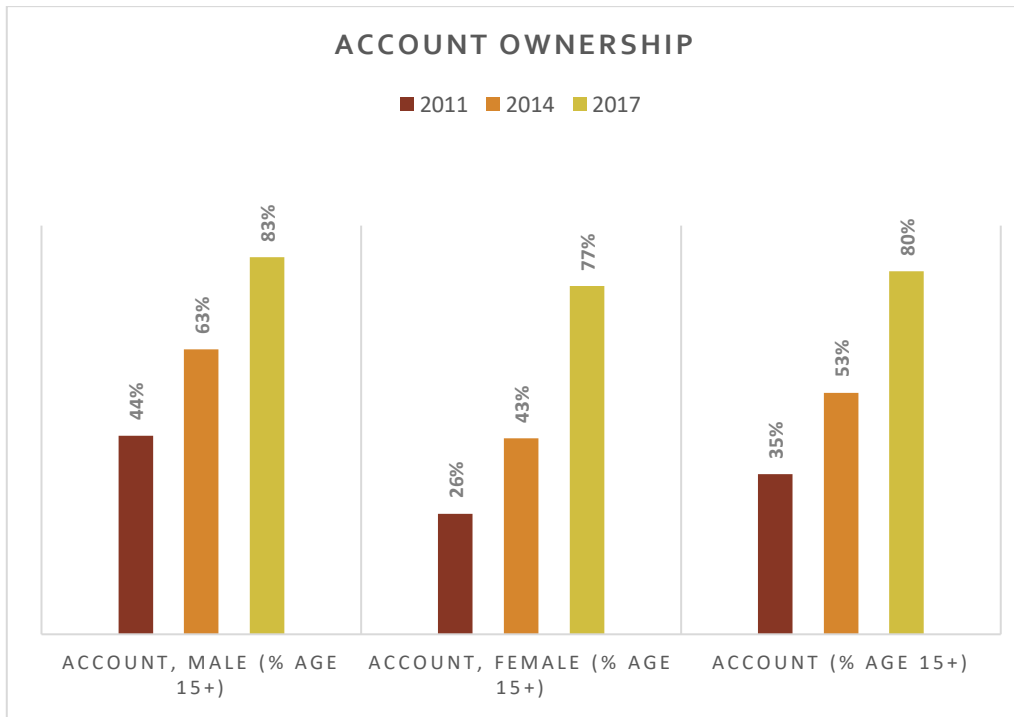
The trends from the **last three rounds of Global Findex Report** reveal a **sharp increase in bank accounts ownership**. Since 2011, globally about 1.2 billion adults opened their bank account leading to an increase in banked population from 51% in 2011 to 69% in 2017. Moreover, 55% of the new bank accounts opened globally were from India.

Despite having relatively high account ownership, according to reports, growth in account ownership has remained skewed in the favour of male population. Of the total unbanked population in India and China, 60% of unbanked adults were women, signalling a gender gap.

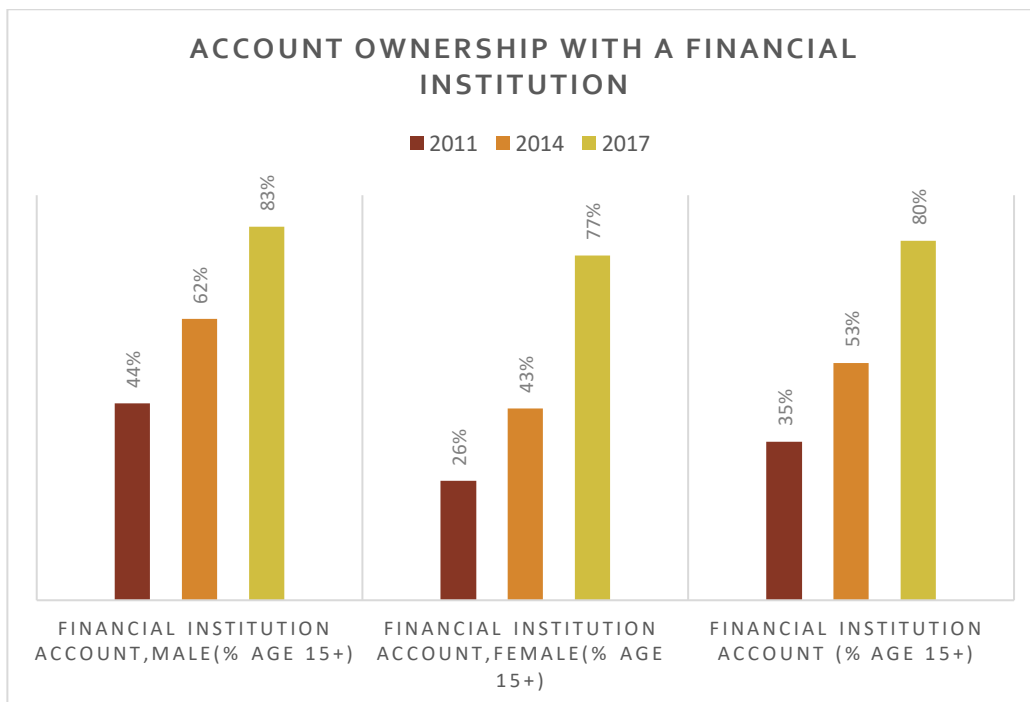
4. Trends on Account Ownership: India

From the graph below, **it can be observed that:**

- The account ownership increased for both men and women over the period of 2011-2017 which can be attributed to initiatives under the Jan Dhan Yojana.
- A disparity between males and females on account ownership can be observed. For example, in 2017, 83% of the accounts were owned by males above 15 years of age viz a viz females owning only a 77%.



Source: World Findex Database, 2017

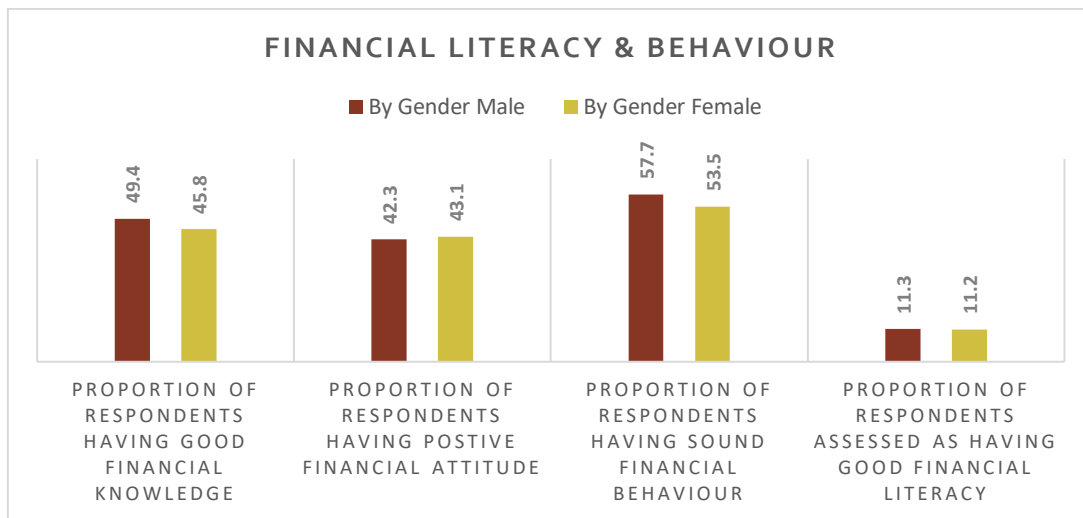


Source: World Findex Database, 2017

PART II

1. Trends on Financial Literacy: India

The **All India Financial Inclusion Survey** by NABARD 2016-2017 observed that the proportion of women respondents on various aspects of financial literacy were less than men, depicting a gender gap. For example, proportion of male respondents having sound **financial behaviour was 57.7 viz-a-viz 53.5 females' respondents.** (graph below)

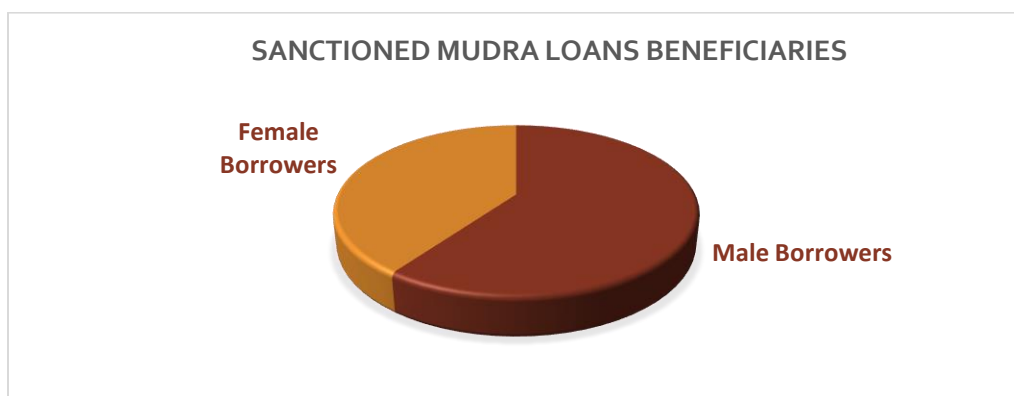


Source: NAFIS 2016-17

2. Credit flow to women through MUDRA

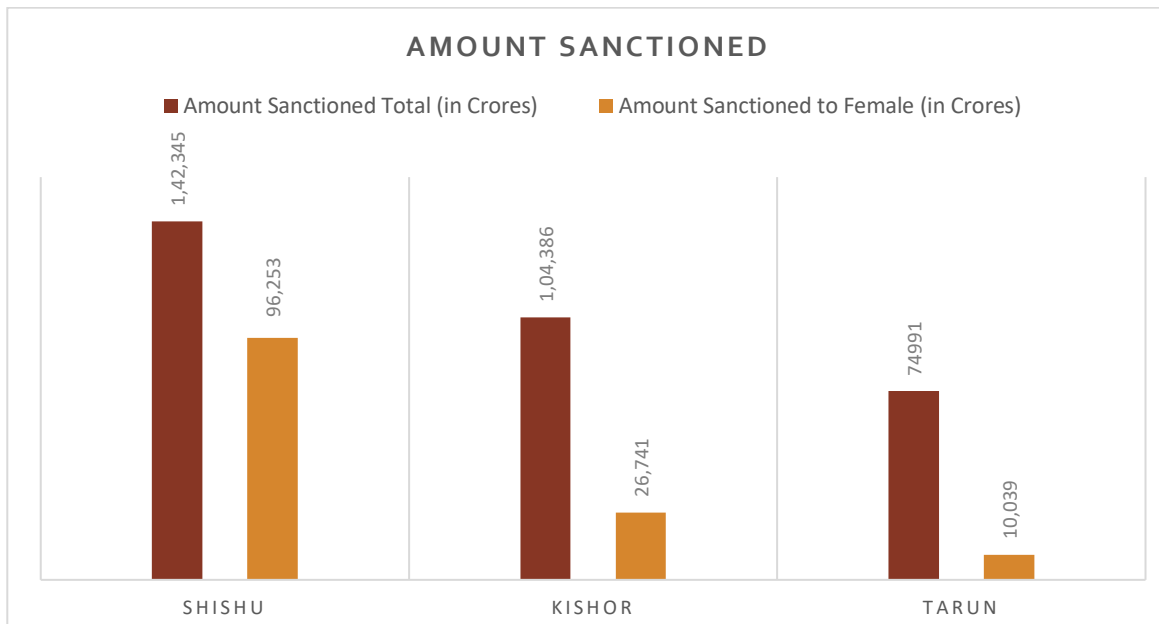
Pradhan Mantri MUDRA Yojana (PMMY) envisages providing credit up to 10 lakhs to the non-corporate, non-farm small/micro enterprises. It has been conceived to fund the unfunded, create employment and strengthen empowerment particularly for the vulnerable sections like minorities and women.

As per Mudra Report for 2017-18, assistance to less privileged sections remained significant with the **share of women in total loan amount sanctioned being 40%.**

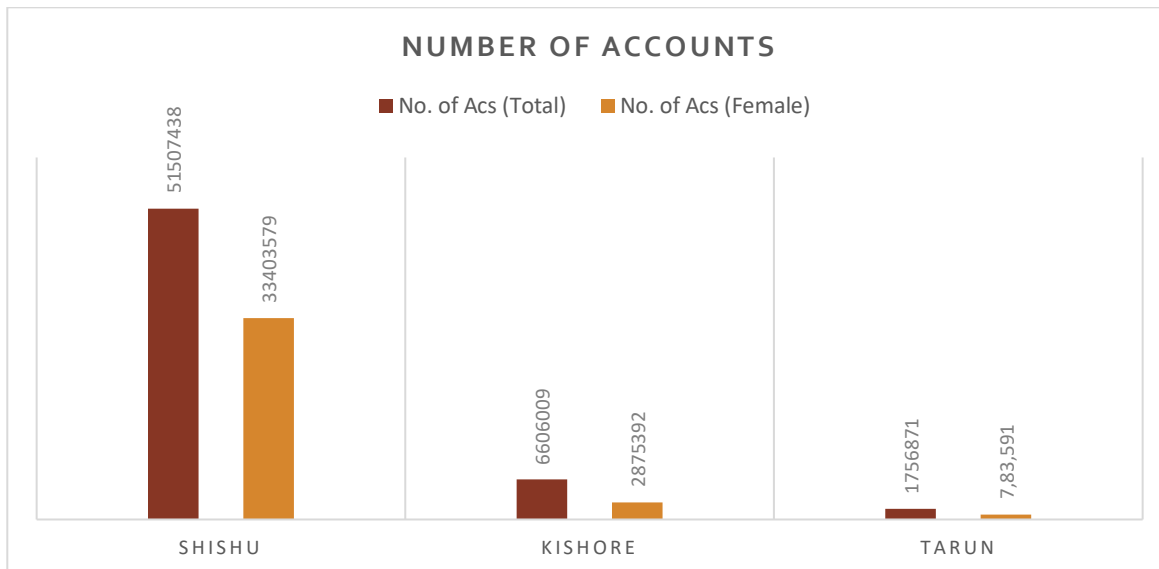


Source: MUDRA Annual report 2017-18

Overall performance report of MUDRA 2018-19 states that the share of women in the Shishu category was 65%, in terms of number of accounts under Shishu, and it also had the highest share, 67% of Shishu loans were sanctioned to women borrowers. This can be attributed to the high share of MFIs in Shishu loans, where women are the major beneficiaries of micro finance loan. However, a drop is observed in case of Kishor and Tarun. The women share in amount sanctioned under MUDRA for Kishor went down to 25% and 43% in terms of number of accounts. For Tarun, in terms of amount sanctioned, women's share stood at 13.4% and 44% in terms of no. of accounts.

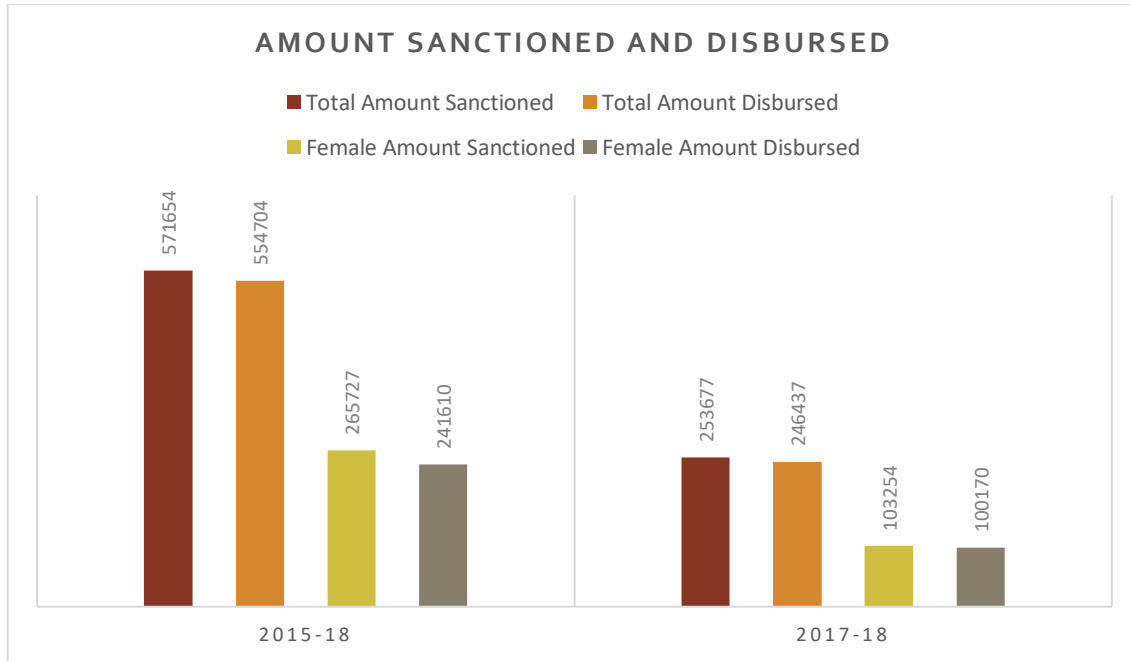


Source: Annual Performance Report, PMMY 2018-19.



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Over 2015-2018, the cumulative share of women in the total amount disbursed under MUDRA was 43%.



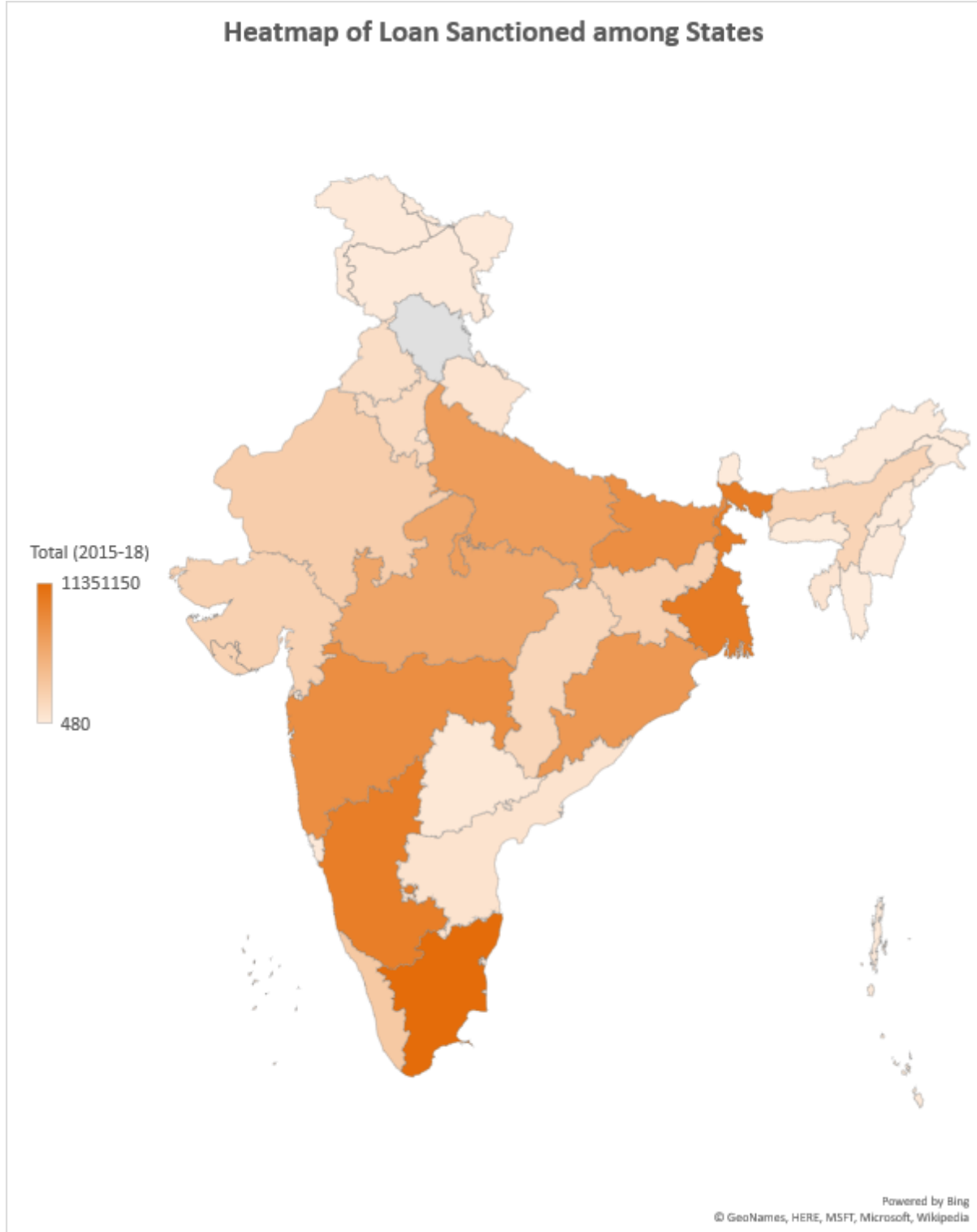
Source: Mudra Report 2017-18 (fig in crores)

From the above data visualizations, we can observe a gendered pattern within the financial structure on all the parameters. Despite an increase and women remain a disadvantaged group when it comes to access to credit, savings, insurance and other banking instruments. And, MUDRA has been a small step towards bridging the gap that exists for women within the financial system. However, we do see a skewed pattern within the categories of the loans, with women holding a majority share under Shishu and subsequently the share drops for Kishor and Tarun.

Channelization of MUDRA funds

On an average, most of the activities under MUDRA were related to **grocery and kirana stores, retail shops and even public utility services**. In some of the smaller states like Uttarakhand, Jammu and Kashmir, Nagaland, Mizoram, Himachal Pradesh, Arunachal Pradesh and even eastern states like Bihar and Jharkhand, loans (though limited in number but exposure being above the national average) have been availed by women for activities like **buying trucks, cars for passenger and freight transport**, given the inhospitable terrains.

State-wise distribution of number of loans sanctioned to Women under MUDRA



Source: Heatmap based on data from Ministry of Finance (Author's Visualization)

According to the data, the leading states in terms of number of loans sanctioned to Women under MUDRA between 2015-18 are Tamil Nadu, West Bengal, Karnataka, Maharashtra and Bihar (Jeevika). If we observe the distribution of women entrepreneurs across India, 36% of the accounts come from southern India (Andhra Pradesh, Tamil Nadu and Telangana) and 16% from eastern India (West Bengal, Odisha and Assam). Maharashtra, Gujarat and Madhya Pradesh account for another 17%. The success of these states can be attributed to the presence of strong SHG cooperatives, high number of financial institutions and a streamlined flow of credit. Moreover, the loans in States have contributed less to the rising NPAs because the repayment rates are better. Success in Bihar can be attributed to some extent to the success of Jeevika, a vibrant community institution of women, which through member saving, internal loaning, regular repayment and economic activities become self-managed institutions.

Conclusion

The Global Findex 2017 data reveals that although access to financial services had sharply increased by 700 million people between 2011 and 2014, the financial inclusion gender gap in developing economies was still estimated at **9 percentage points** and therefore remained unchanged. The increase in the financial access in the recent years has been by bringing women in the ambit of financial institutions across the globe. India has **been instrumental in this growth as it contributed to 55% of the new bank accounts opened globally in the last decade. The success of increase in account ownership in India can be attributed to initiatives under the Pradhan Mantri Jan-Dhan Yojana and Pradhan Mantri MUDRA Yojana.**

It is to be complimented that the MUDRA loans have acted as a credible tool for financially empowering women in the country by opening different avenues to formal loans, enhancing their borrowing capacities and decision-making abilities at the household level. Though there has been a significant increase in women coming under the coverage of financial institutions through microcredit, but alarmingly the patterns of credit uptake show a stark statistical variance when compared to the average borrowing capacity and access to formal loans by men. **The MUDRA trends portray a similar situation where women borrowers are currently lagging behind men in terms of account ownership, credit flows, number of accounts and total amount sanctioned within the three categories of MUDRA loans.**

In order to expand the coverage of the MUDRA loans among the female's the existing gaps seen in the financial systems needs to be immediately bridged by focussing on access and equity. These gaps can be filled by carrying out a series of reforms like introducing a contingency risk fund under MUDRA, provide more flexible repayment options for women, discounted rate of interests and more importantly the government should support the MUDRA loanee's in the first 5 years to be able to improve their capacity of repayment. Additionally, strengthening the SHG-Bank linkage would be extremely instrumental in ensuring that the credit flow gets more streamlined and the funds reach the beneficiary without any diversions in a zero-error process. These can be some of ways for strengthening empowerment and decision making for women at the household and community level. At the end, *“let us all strive to build financial awareness consciously and rigorously. Informed citizens especially women are a crucial cog in the financial ecosystem”*

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