

# Labour ministry seeks hike in loan ceiling under Mudra, writes to FinMin

Somesh Jha | New Delhi Last Updated at November 7, 2019 22:31 IST

## **Writes to finance ministry for changes in scheme to boost employment, remove disparities**

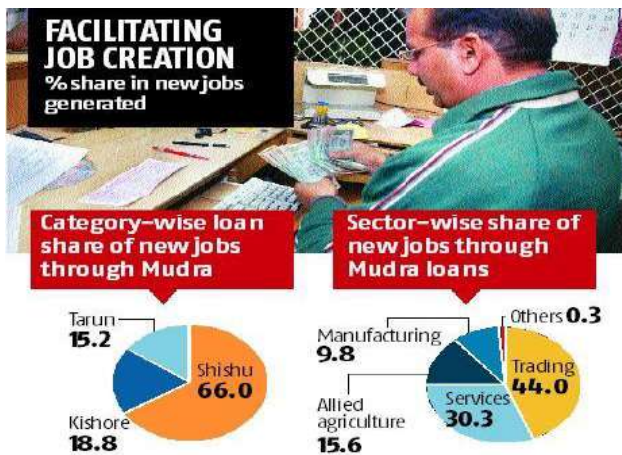
The Union labour and employment ministry has written to the finance ministry suggesting ways to tweak the Pradhan Mantri Mudra Yojana (PMMY) to boost employment and remove disparities.

One of the key suggestions is to ensure that the benefits of the scheme reaches the labour-intensive sectors, especially related to services and trade, so that it can help in generating jobs, along with serving the purpose of giving accessibility to credit. The PMMY was launched in April 2015 to give unsecured loans of up to Rs 10 lakh.

The suggestions, sent by Principal Labour and Employment Advisor BN Nanda to Finance Secretary Rajiv Kumar on November 5, are based on the findings of a survey report titled 'Report on PM Mudra Yojana Survey', prepared by the Labour Bureau.

The report, which is yet to be made public, showed 11.2 million new jobs were created by establishments availing Mudra loans in 3 years from 2015-18, majority of which accounted for self-employment.

The labour ministry has suggested increasing the ceiling of loan amount under Mudra from Rs 50,000 now. Loans, under the Mudra scheme, fall under three categories: Shishu (up to Rs 50,000), Kishore (Rs 50,001-500,000) and Tarun (from Rs 500,000-1,000,000).



Note: Loans, under the Mudra scheme, fall under three categories: Shishu (up to ₹50,000), Kishore (₹50,001-5,00,000) and Tarun (from ₹5,00,000-10,00,000). Source: Report on Pradhan Mantri Mudra Yojana Survey, 2018.

“A credit funding of Rs 50,000 and below is unlikely to generate much additional employment, primarily because the quantum of investment is not sufficient to carry out

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economic activity, which would necessitate hiring additional workers. Hence, there is merit in considering an enhanced ceiling of loan amount from the present limit of Rs 50,000,” the ministry said in the letter.

Around 90 per cent of the loans were disbursed under the Shishu category, which accounted for 65 per cent of additional employment generation through the scheme, indicating that most of the jobs may be through self-employment, according to the survey.

The letter said the banks should give more focus on loans under Tarun and Kishore category to boost employment generation. It added that 62 per cent of the additional employment was among females but mostly in the lower category loans, and emphasis should be on providing high-valued loans under Mudra to females.

The letter emphasised that the survey found a “high degree of imbalance” in disbursement of Mudra loans across states with Karnataka, Tamil Nadu, and Maharashtra accounting for 30 per cent of the total.

“It is, therefore, imperative that all stakeholders under Mudra in the laggard states should be sensitised through awareness creation programmes for availing more loans under Mudra in these states,” the letter stated.

The labour ministry told the finance ministry to identify economic activities that require additional credit as 11 per cent of total Mudra beneficiaries found the loan amount to be insufficient according to the survey.