

MUDRA YOJANA - TO "FUND THE UNFUNDED": AN ANALYSIS

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ABSTRACT

"Small opportunities are often the beginning of great enterprises."

-Demosthenes

A number of monetarist insertion initiatives have been taken by Government of India for the low income groups, weaker section of society, small business man and micro enterprises. The creation of the Micro Units Development & Refinance Agency Ltd. (MUDRA) is an outcome of the launch of Pradhan Mantri Mudra Yojana (PMMY) on April 08, 2015 by the Hon'ble Prime Minister Mr. Narendra Modi to "fund the unfunded". MUDRA intends to support the large number of aspiring entrepreneurs by bringing them into the formal financial system and extending affordable credit to them. Over the years, PMMY has earned the appreciation of being contributory in all-encompassing financing and stimulating growth at bottom of the pyramid, through varied channels such as Banks, RRB's, Small Finance Banks, NBFc's and Micro Finance Institutions. In this paper the researcher has made an attempt to analyze the financial performance of MUDRA Yojana over the last 4 years.

Keywords: MUDRA, Financial Performance, MSME Sector, Financial Inclusion.

Introduction

"Small opportunities are often the beginning of great enterprises."

-Demosthenes

Government of India (GOI) has introduced a number of monetarist insertion initiatives such as Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeewan Jyoti Beema Yojana (PMJJBY), Pradhan Mantri Surakhsha Beema Yojana (PMSBY) and Atal Pension Yojana (APY) etc., for the low income groups, weaker section of society, small business man and micro enterprises. The creation of the Micro Units Development & Refinance Agency Ltd. (MUDRA) is an outcome of the launch of Pradhan Mantri Mudra Yojana (PMMY) on April 08, 2015 by the Hon'ble Prime Minister Mr. Narendra Modi to "fund the unfunded". MUDRA intends to support the large number of aspiring entrepreneurs by bringing them into the formal financial system and extending affordable credit to them.

PMMY has since completed 4 years. During these 4 years, a cumulative amount of Rs. 8.93 lakh crore has been sanctioned under the programme, benefiting 18.25 crore loan accounts. Over the years, PMMY has earned the appreciation of being contributory in all-encompassing financing and stimulating growth at bottom of the pyramid, through varied channels such as Banks, RRB's, Small Finance Banks, NBFc's and Micro Finance Institutions.

Objectives

- To assess the role of MUDRA Yojana in India
- To analyze the agency-wise and state – wise performance of MUDRA over the last 4 years
- To study the performance of various categories of MUDRA scheme over the last 4 years

Review of Literature

Verma S. 2015 has concluded that the proposal of MUDRA Bank will (a) cater to the financial problems of MSMEs and will (b) give moral support to young population to materialize their dreams of becoming an entrepreneur.

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Roy, 2016, concluded that MUDRA scheme has shown positive effects on Indian economy. The author has explained that, MUDRA as a financial instrument has found very effective in its initial phase. He displayed that the small businesses form the foundation of the economic strata needs to be enhanced and supported.

Dr. R. Rupa, 2016, concluded that the concept of fund the unfunded by this scheme will bring drastic change in the MSME sector.

Rudrawar, M. A. A., & Uttarwar, V. R., 2016 has concluded that if applied properly at the bottommost level, MUDRA may act as a game changing idea and may upsurge, boost and prosper the Indian economy.

Research Methodology

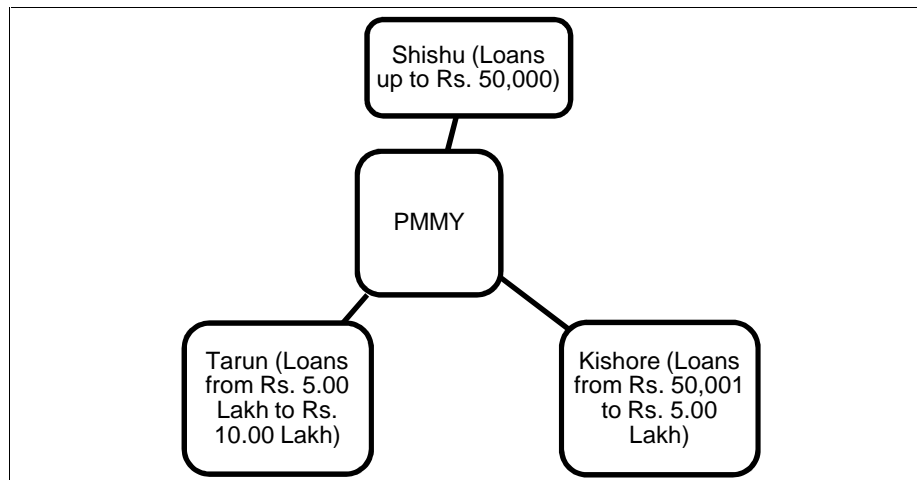
The researcher has made an attempt to analyze the performances of MUDRA scheme from inception to the year 2018-19 on different parameters. The main source of data used for the study is secondary data derived from the published annual reports of the PMMY, and sources like, various websites, journals and newspapers. The so collected data have been suitably re-arranged, classified and tabulated as per the requirement of the study and depicted through graphic presentation.

Scope of the Study

The study brings out the performance of MUDRA Yojana and also discloses the effort of Government to make it more effective. It also highlights the striking features of the scheme that had helped the people to come up for entrepreneurial activities. The study also throws light on the performance of the product which may help financial institutions to devise programs and products considering the socio, demographic, psychological and economic parameters.

Types of Loans Provided

Under the aegis of Pradhan Mantri MUDRA Yojana, (MUDRA), the bouquet of offerings is depicted below.



A nominal interest rate of 10% to 12% is charged for the loan under PMMY 'Shishu' Yojana. Mudra 'Kishore' Yojana is categorized as unsecured loan and being a middle scheme the rate of interest ranges from 14% to 17% depending on the bank, from where loan is availed. 'Tarun' category, also an unsecured loan, comes with an interest rate of 16% and may vary according to the bank approached. The repayment tenure of MUDRALoan is maximum up-to 5 years.

Sectors Covered: Businesses that can avail the MUDRA Bank loan are as follows;

- Shopkeepers
- Fruits and vegetable vendors
- Non-Corporate Small Business Segment (NCSBS)
- Service sector units such as beauty parlours, saloons, courier agents, dry cleaning shops, boutiques, photocopying facilities, gymnasiums, tailoring units, etc.
- Truck operators.

- Loans can be availed for purchase of passenger cars, auto rickshaw, e-rickshaws, taxis, small goods transport vehicle, 3 wheelers, etc.
- Artisans,
- Food-service units
- Food processing units
- Repair shops or mechanic sheds
- Small industries such as chicken work, cotton ginning, traditional embroidery and hand work, handloom, knitting, apparel design, computerized embroidery, traditional dyeing and printing, powerloom, textile non garment products such as bags, vehicle accessories, furnishing accessories, zari and zardozi work, stitching and others.
- Machine operators.

Eligibility

Any Indian citizen who has a business plan for a non-farm sector income generating activity and whose credit need is less than Rs 10 lakh can approach either a Bank or MFI, or NBFC for availing of Micro Units Development & Refinance Agency Ltd. (MUDRA) loans under PradhanMantri Mudra Yojana (PMMY).

Banks offering Business Loans under Pradhan Mantri Mudra Yojana

For Scheduled Commercial Banks:

- Must be either public sector or private sector
- Must have been operational for at least for 3 years with profit record.
- A minimum net worth of INR 100 crores is obligatory
- Must have a Credit to Risk Assets Ratio of not less than 9%
- NPA should not be more than 3%

Regional Rural Banks

Last two conditions mentioned for Scheduled commercial Banks are applicable to RRB's.

Data Analysis and Interpretation

Table 1: MUDRA - At a Glance

MUDRA - At a Glance	2018-19	2017-18	2016-17	2015-16
No. of PMMY A/Cs	59870318	48130597	39701047	34880924
Amount Sanctioned (Rs. in Crore)	321722.79	253677.1	180528.54	137449.27
Amount Disbursed (Rs. in Crore)	311811.38	246437.4	175312.13	132954.73

Source: Annual Reports (2015-16 to 2018-19) of MUDRA

Interpretation

During 2015-16, an amount of Rs. 1.22 lakh crore was set as the target under PMMY, against which an amount of Rs. 1.37 lakh crore was sanctioned by Banks and MFIs to 34880924 account holders of this yojana. In FY 2016-17, the target set for amount sanctioned was at Rs. 1.80 lakh crore and the same was achieved. More than Rs. 2.53 lakh crore has been sanctioned in the 3rd year of operations, as against target of Rs. 2.44 lakh crore. During FY 2018-19, the total sanctions under PMMY were Rs. 3.21 lakh crore which exceeded the target set for 3 lakh crore. Above table depicts that number of accounts opened under this scheme increased by more than 71% in 2018-19 from the year of introduction of this scheme. Similarly amount sanctioned figure is increased by 135% i.e. from 137449.27 crores to 321722.79 crores. Trend of the amount disbursed shows 32%, 40% and 27% increase in these years respectively.

Table 2: Bouquet of Offerings

	Shishu		Kishore		Tarun	
	No. of A/Cs	Sanctioned Amount (Rs. in Crore)	No. of A/Cs	Sanctioned Amount (Rs. in Crore)	No. of A/Cs	Sanctioned Amount (Rs. in Crore)
2015-16	32401046	62894.96	2069461	43052.55	410417	31501.76
2016-17	36497813	85100.74	2663502	53545.14	539732	41882.66
2017-18	42669795	106001.6	4653874	86732.16	806924	60943.34
2018-19	51507438	142345.25	6606009	104386.68	1756871	74990.86

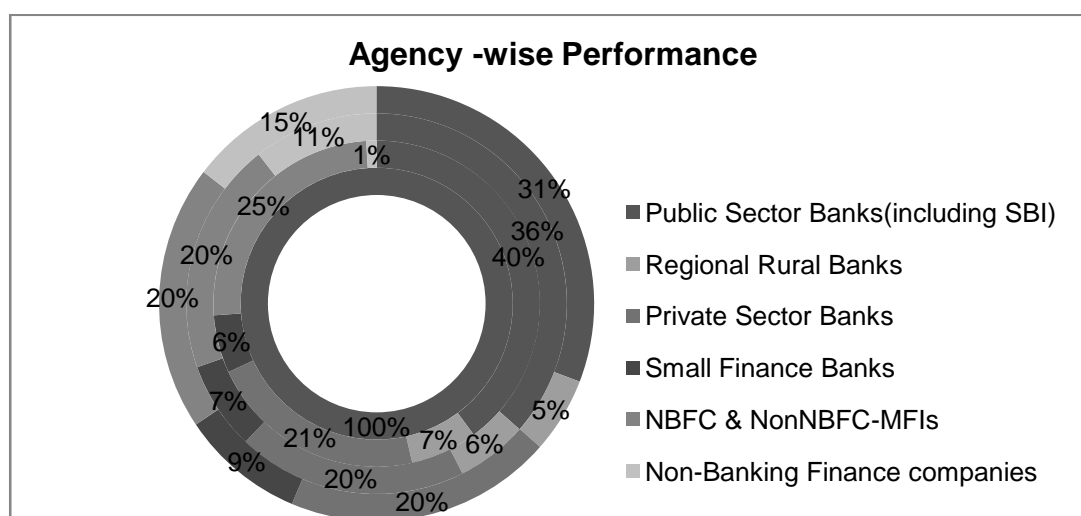
Source: Annual Reports (2015-16 to 2018-19) of MUDRA

Interpretation

Based on the size of loans, MUDRA loan are extended in three categories namely, 'Shishu', 'Kishor' and 'Tarun'. In terms of number of accounts, 'Shishu' loan had the maximum stake of 86% in all 3 categories of loan. 51507438 accounts have been opened under this scheme in FY 2018-19. It is clear from the above mentioned data that in terms of total sanctioned amount, 'Tarun' category loan at 23.30 %, 'Kishor' category loan at 32.45 % and 'Shishu' category loan was maximum at 44.24%. Rs. 62894.96 crore was sanctioned in 2015-16 in Shishu category which increased to 142345.25 crore in 2018-19. The share of Kishor loan accounts tripled in FY 2018-19 from the year of inception. The share of Tarun loan accounts also increased to 300% in FY 2018-19 as compared from FY 2015-16.

Table 3: Agency wise Performance

Agency	Disbursement Amt.(2015-16)	Sanctioned Amt.(2016-17)	Sanctioned Amt.(2017-18)	Sanctioned Amt.(2018-19)
Public Sector Banks(including SBI)	56127.1	71953.67	92,492.68	99,234.96
Regional Rural Banks	10876.22	12009.52	15,454.51	18,046.89
Private Sector Banks	20025.65	39027.82	49,545.11	64,037.25
Small Finance Banks		10318.79	19,022.89	29,794.37
NBFC & Non NBFC-MFIs	44047.4	45353	50,143.75	63,470.97
Non-Banking Finance companies	1878.36	1865.74	27,018.16	47,136.75
Total	132954.73	180528.54	2,53,677.1	3,21,722.79



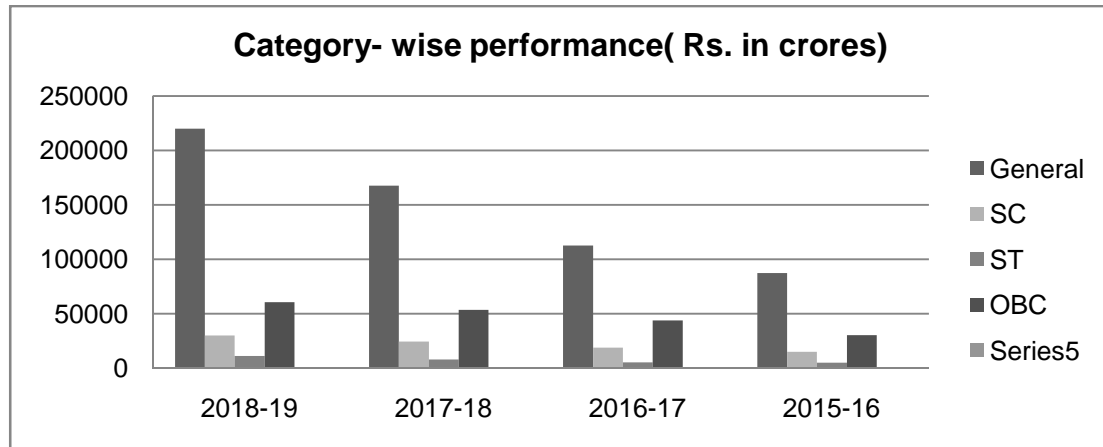
Source: Annual Reports (2015-16 to 2018-19) of MUDRA

Interpretation

The achievement data indicate a 27% growth over previous year in the overall performance of the programme by all the agencies. Among the Public Sector Banks, State Bank of India with 33,825.92 crore sanction for 27.37 lakh account topped the table which is 34% of the total amount sanctioned by the public sector banks. SBI was followed by Canara Bank and Bank of India with a sanction figure of 10,297 crore and 6,430.74 crore respectively. The Private Sector Banks also performed very well with a sanction of Rs. 64,037.25 crore during the year, recording 27% growth. SFB's and RRB's share in total amount sanctioned in 2018-19 is 9.265 and 5.65 of the total. MFIs sanctioned a total Loan amount of Rs. 63,470.97 crore to 2.48 crore Borrowers. Non-Banking Financial Companies also emerged as the major contributor to Pradhan Mantri MUDRA Yojana with a total sanction of 47,136.75 crore (15% of the total sanction amount). Share of these NBFC's was only 1% in 2015-16, increased to 15% in 2018-19 and also shows a growth of 27% as compared to previous year as far as amount sanctioned is concerned.

Table 4: Category wise Performance

Category	Amount Sanctioned , Rs. in Crore			
	2018-19	2017-18	2016-17	2015-16
General	220129.14	167625.09	112585.16	87211.75
SC	29957.36	24378.41	18897.83	14975.07
ST	11053.54	8000.41	5272.74	4878.23
OBC	60582.74	53673.18	43772.82	30384.22
Total	321722.79	253677.1	180528.54	137449.27



Source: Annual Reports (2015-16 to 2018-19) of MUDRA

Interpretation

Above table shows that Rs. 87211.75 crore were sanctioned to the General category in 2015-16. Amount sanctioned to this category shows increasing trend of 29%, 49% and 31% in subsequent years. 52% loan accounts belong to this section in 2018-19. The involvement of the weaker sections of the society i.e. SC/ST/OBCs categories was at 48% in terms of loan accounts and 32% sanctioned loan amount in the year 2018-19. The share of SC, ST and OBC categories were 16%, 6% and 26%, respectively in terms of loan accounts. A total of Rs. 50237.52 crore was sanctioned to them in 2015-16 which is doubled to Rs. 101593.64 which indicated the increasing involvement of this section of the society.

Table 5: Users of MUDRA

Amount Sanctioned Rs. in Crores

Users	2018-19	2017-18	2016-17	2015-16
Women Entrepreneurs	133033.62	103254.12	80289.68	82183.55
New Entrepreneurs / Accounts	106033.06	97448.7	72960.14	61649.95
Minority	30123.77	24091.77	20276.07	14017.99
PMJDY OD Account	124.34	52.81	417.64	448.49
Mudra card	1711.94	1481.43	1564.61	1476.96
NULM	253.17	204.57	186.77	
NRLM	3885.4	2159	2004.42	
Other Govt. Sponsored Prog.	7527.72	6220.51	8243.64	
Skill Trained Persons				3640.84

Source: Annual Reports (2015-16 to 2018-19) of MUDRA

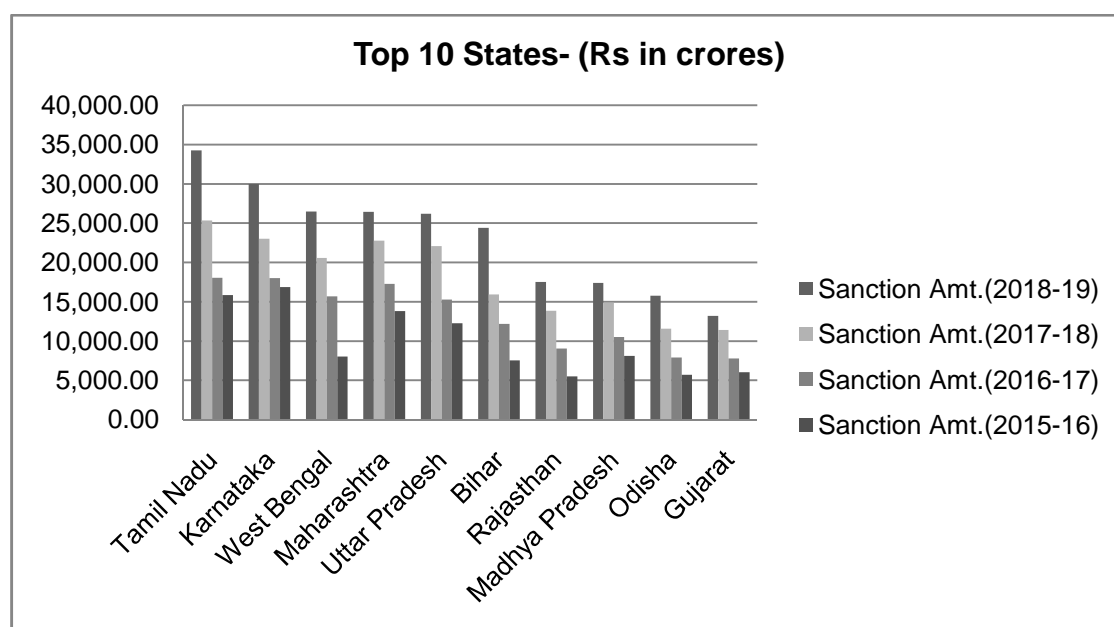
Interpretation

Women entrepreneurs received about 60% of the total amount sanctioned in 2015-16. In 2018-19 their share decreased to 41% of loan amount sanctioned in total loan amount sanctioned. The Minority category of borrowers accounted for 10% and 9% in terms of number of accounts and amount share, respectively. Share of minority increased by 114% in FY 2018-19 from the year of introduction of this yojana. The number of new loan accounts during FY 2018-19 was at 22% of the total loan accounts and 33% in terms of the sanctioned amount. Mudra cards were issued for Rs. 1476.96 crore in 2015-16. During FY 2018-19, 1.67 lakh cards have been issued for an amount of 1,711.94 crore.

Table 6: State wise Performance- Top 10 States

Amount Sanctioned Rs. in Crores

Name of the State	2018-19	2017-18	2016-17	2015-16
Tamil Nadu	34,260.05	25,331.68	18,052.68	15,846
Karnataka	29,995.35	23,009.73	18,002.55	16,861
West Bengal	26,462.13	20,552.19	15,695.01	8,034
Maharashtra	26,438.94	22,751.40	17,286.66	13,806
Uttar Pradesh	26,190.58	22,077.89	15,282.61	12,276
Bihar	24,405.99	15,919.40	12,190.60	7,554
Rajasthan	17,506.39	13,862.55	9,024.71	5,485
Madhya Pradesh	17,407.92	14,886.15	10,506.45	8,097
Odisha	15,770.28	11,558.91	7,891.34	5,695
Gujarat	13,216.78	11,386.52	7,781.94	6,035



Source: Annual Reports (2015-16 to 2018-19) of MUDRA

Interpretation

Based on the agency network and potential to lend the targets were further distributed state-wise by the respective agencies. The state level performance was monitored by State Level Bankers Committee (SLBC). Tamil-Nadu topped with ₹34,260.05 crore sanctioned amount in FY 2018-19 (This state was at second place in FY 2015-16). From 2017 – 18, **40 %** growth was recorded in Tamil Nadu state. Karnataka was the second amongst all states with ₹29,995.35 crore sanctioned amount in this year which shows 30% increase from previous year. Maharashtra stood at third rank with ₹ 22,751.4 crore of sanctioned amount in 2017-18 but secured fourth rank in the following year. Top 10 states have contributed about 71 % of total sanctioned amount in these years. Among the states Bihar and Orisa has shown significant growth of 53% and 36% as compared to previous year.

Conclusion

Entrepreneurship is thriving in India. MUDRA is still not a fully-fledged bank and is in its initial stages. It will provide its services to small entrepreneurs outside the service area of regular banks, by using last mile agents. Major highlights of these four years of this yojana show that (a) 8.93 lakh crore amount is sanctioned to 18.25 crore Accounts. (b) 70% of the Loan accounts sanctioned belong to Women Beneficiaries and 48% of the Loan accounts belong to SC/ST/OBC. The MUDRA Yojana has thus helped the aspirations of many micro entrepreneurs who were otherwise outside the ambit of the formal banking system and is addressing the problem of 'funding the unfunded' to a large extent.

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