



Review Paper

An analysis of performance and impact of MUDRA Yojna under PMMY in the year 2016

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Abstract

In India many things revolve around mere perceptions, while getting into detail it often paint a different picture. It is a common misperception people have that large industries create more employment, though the truth is that “in India only 1.25 crore people find employment in large industries, whereas small enterprises employ 12 crore people”. In India, small businesses play an important role by providing employment to a large number of people. It is the second largest sector engaging uneducated and unskilled people after agriculture. Further, millions of low income earning group person aspire to set up small businesses but are unable to start, mostly due to credit limitations. Since banks do not find them eligible for credit loan. After identifying the importance of self-employment people and small business units, government of India launched MUDRA Yojana to address the financial and other constraints. This paper is an attempt to know about the MUDRA Yojana and its key objectives. The paper highlights the role and importance of MUDRA bank towards the small business units.

Keywords: Small business units, MUDRA, RRBs, MFIs, MSME.

Introduction

In a developing countries having large population, small businesses play an important role in contributing to nation GDP but also by providing employment to a large number of people. Importance of self employment cannot be ignored in planning the national policies¹.

MUDRA stands for Micro Units Development and Refinance Agency Ltd. It is a financial institution being setup by government of India for development and refinancing activities related to micro units. It was announced by the hon'ble finance minister while presenting the union budget for financial year 2015-16. The purpose of MUDRA is to provide funding to the small business sector fall under the category of Non-Corporate. Most of the people engaged in small business are Uneducated they do not maintain proper Books of Accounts and other legal formality.

Therefore, the banks find it difficult to lend to them for further expansion of their business. For getting credit loan, these individuals look at unorganized financial sectors for loans and other credit facilities which have high rate of interest along with stern terms and conditions. MUDRA seems to be the most beneficial for the smallest borrowers who find it difficult to borrow loan from other commercial banks due to credibility guarantee and lack of financial literacy. As the Mudra Scheme offers and promises to provide loan in easy way and without too much formalities. Based on various discussions with the bank

managers and credit officers, about 70 percent of the applications coming in for MUDRA loans are approved on an average.

Objectives of the study: i. An attempt to find out the scheme offered by MUDRA under PMMY and their impacts on Indian small business owners and self employed people. ii. Review of Performance of PMMY in the FY – 2016.

Benefits of Study: This paper helps in understanding the MUDRA schemes launched by government to resolve the challenges faced by Non-Corporate small, business sector.

Methodology

The research paper is descriptive, the data and information for the study is gathered from secondary sources like newspapers, magazines, various websites including website of MUDRA Yojana and other government functioning institutes. Descriptive Statistical tools were applied in analysis of data.

MUDRA - need and importance: Micro Unit Development and Refinance Agency (MUDRA) has been setup for ‘funding the unfunded’². Micro Small and Medium Enterprises (MSME) contributes around 8% to GDP. MUDRA bank with a corpus of Rs 20,000 crore and a credit guarantee fund of Rs 3,000 crore is setup by Government of India to support financial institutions.

MUDRA has benefited and will benefit in future to small manufacturing units, fruits and vegetable vendors, people

running beauty parlours and salon, truck and auto taxi operators, artisans in rural and semi rural areas with financing aids from Rs. 50,000 to Rs. 10 lakh depends upon the business categories (Shishu, Kishore and Tarun) of the business unit or entrepreneur. To remove the financial difficulties faced by micro and small business units the government of India launched a scheme on 8th April 2015³.

MUDRA will provide credit of up to Rs 10 lakh to small entrepreneurs and act as a regulator for 'Micro-Finance Institutions' (MFIs). MUDRA Bank will also refinance Micro-Finance Institutions through PMYY. The main objectives of Mudra Bank are, to encourage entrepreneurs and small business units to expand their capabilities and operations, to reduce over indebtedness and to provide formal system of credit. Agriculture and Self-employment will be the focus areas of Mudra Bank⁴.

For getting loan under MUDRA Yojana business units or entrepreneurs have to contact their nearest public or private banks or RRBs or other authorized NBFCs/MFIs with their business plan. After sanctioned the loan from MUDRA Yojana, Business units/ entrepreneurs will get a MUDRA Card like credit card which can be used for purchasing business raw materials etc. the Card's limit will be 10% of the loan amount subject to maximum Rs. 10,000. Many entrepreneurs or small business units has availed finance under this scheme since its launching.

Quite a few government schemes do not get implemented completely due to various reasons and somewhere along the way, the focus seems to get completely lost. The Mudra Scheme has taken upon itself as one of its objectives to ensure that the credit delivery happens as promised to every verified individual or enterprise.

India is a land of talented and budding youngsters, held back just because they have neither the opportunity nor the finances to show the world what they have in store. With this scheme in full swing next year, a lot of skilled and creative brains will be empowered to take India to a whole new level on the international frontier.

Women Empowerment: MUDRA offering under Mahila Uddyami Scheme specially encourages women entrepreneurs leading to Women empowerment. A fixed sum of money is allotted to be funded to the women entrepreneurs' only⁵.

Mudra Loan Schemes

MUDRA is still not a fully-fledged bank and is in its initial stages. Mudra Bank will function in coordination with local banks and financial institutions and provide finance to "Last Mile Financiers" of small/micro businesses¹. As the Purpose of this scheme is to support the micro and small enterprises the scheme for the products are also categorized accordingly. Mudra loan products are divided into three schemes. The first one is for the people who want to start a business or small

enterprise will be provided Shishu category loan. Next level of loan/product is for mid-stage finance and for the expansion and technical up gradation will fall under Kishore and Tarun Loan Scheme. These are described here.

Shishu Loan Scheme: This is for starter or small entrepreneur, under this scheme the lending amount will be Rs. 50,000. That means If anyone wants to start a small business then he/she will get a loan cover up to Rs. 50,000/-.

Kishor Loan Scheme: This scheme is meant for the mid-level business organizations. If you have set your business then you may receive a term loan from Rs. 50,000/- to Rs. 5 lakh from MUDRA for further expansion and growth.

Tarun Loan Scheme: This is the next level scheme and it for those business /manufacturing organizations who wish to have a large and better (automation) business setup. The loan provided in this scheme will cover a sum of rupees from Rs. 5 lakh to Rs. 10 lakh.

All of these schemes are specifically aim to benefit the small business setups including manufacturing and services to make people independent and to create more job opportunities for the youth and it will surely bring a change in the entire Indian economy. It would be ensured that maximum benefit and promotion should be given to people who desire and are capable to start new venture by starting small business unit.

Keeping this in view 60% of the credit flows is allotted to Shishu Category Units and the balance to Kishor and Tarun categories. Within the framework and overall objective of development and growth of Shishu, Kishor and Tarun Units, the products being offered by MUDRA at the rollout stage have been designed to meet requirements of different sectors / business activities as well as business / entrepreneur segments.

Nature of assistance: i. The primary role of MUDRA is to assist the micro and small business unit in the following cases: i. Need based term loan, ii. OD limit, iii. Composite loan to eligible borrowers for acquiring capital assets, iv. Loan for working capital, v. Loan for marketing. vi. Loan for technical up gradation for manufacturing firm. Viz. Latest machinery, Software tools, automation equipment etc.

The MUDRA loans are provided for income generating small business activity in manufacturing, processing, and service sector or trading. The Project cost is decided based on business plan and the investment proposed.

Review of Performance of Pradhan Mantri Mudra Yojana – FY – 2016

Region wise performance by banks The regional coverage of the programme indicates that all the four regions had wide Coverage, although there had been an edge for the Southern region. The other three regions were almost at par to each other.

Individual Bank wise performance in terms of disbursement of loan: The State Bank of India with ` 12281.18 crore stands out among all the banks in lending under PMMY. It is followed by Canara Bank with ` 7506.64 crore and Punjab National Bank with ` 3593.42 crore.

Table-1: Region wise performance by banks (No. of accounts)⁶.

Category	North	West	East	South	Total
Shishu	27.4	21.4	21.8	29.4	100
Kishore	21	16.7	19.1	43.1	100
Tarun	29.4	23.4	14.8	32.5	100

Among the Private Sector Banks, HDFC Bank with ` 5356.89 crore tops the list, followed by ` 3921.51 crore by ICICI Bank, ` 3594.64 crore by Indus Ind Bank, and ` 2229.17 crore by Axis Bank.

As regards RRBs, Uttar Bihar Gramin Bank with ` 1350.90 crore had the highest lending under PMMY, followed by Karnataka Vikas Gramin Bank at ` 1070.05 crore and ` 1051.88 crore by Pragathi Krishna Gramin Bank at 1051.88 crore.

Financing for new Entrepreneurs: MUDRA loan is meant for 'funding the unfunded'. It is available for both new units and expansion of existing units.

The data of new entrepreneurs supported under PMMY, indicate that out of 3.49 crore accounts financed during the year, 1.25 crore accounts were for new entrepreneurs, which work out to 36%.

Table-2: Financing for new Entrepreneurs⁶.

Bank Type	No. of account	Disbursement (Amt in Rs. Crore)
Public sector Bank	3822226	35463.13
Private Sector Bank	1777400	8000.88
Regional Rural Bank	720430	5088.39
NBFC – MFI	6049094	10213.16
NON NBFC – MFI	105518	142.52
TOTAL	12474668	58908.08

Financing of women: Providing financial support to women entrepreneurs was one of the main objectives of PMMY. The data indicate that 2.76 crore women were funded out of the total number of 3.48 crore accounts, which is a whopping 79%. MFIs contributed significantly for the financing women under PMMY.

Table-3: Disbursement amount given as loan to women⁶.

Bank Type	Women Entrepreneur	
	No. of Accounts	Disbursement (Amt in Rs. Crore)
Public sector Bank	1475907	10352.09
Private Sector Bank	2153790	6450.74
Regional Rural Bank	292127	2462.19
NBFC – MFI	22962461	42047.05
NON NBFC – MFI	743980	1878.36
Total	27628265	63190.43

It has been observed through various researches about women entrepreneurs in India that lack of capital income was the main contributing factor that held women back. lack of proper education lack of collateral causes obstacles to get loans from commercial banks. With the help of MUDRA now it is clear that such obstacles can be removed. Reports show that more and more women are climbing out of their shells into the real world and trying their hand at becoming entrepreneurs.

Most of the professionally Uneducated Women in India run small businesses like Beauty parlors, tuition centers, stitching, Papad and pickle making, Tiffin centers etc. A small financial help in the form of term loan can inspire many women especially in rural and semi rural regions to start their own venture for independent living. A group of women want to start a joint ventures will also receive loans and funds under this scheme under the norms and conditions. This loan is collateral free and proves to be a big support and inspiring step.

Share of SC/ST/OBC: The NSSO survey of 2013 indicated that more than 60% of the micro enterprise units belonged to weaker sections. The data obtained under PMMY shows that 1.84 crore accounts financed by all the agencies under PMMY was for SC/ST/OBC categories, which is nearly 53% of the accounts financed.

Loan for Minority: The loans provided by Banks and MFIs under PMMY for minorities indicate that 40.88 lakh accounts were of minorities, which is nearly 12%.

Disbursement through MUDRA Card

Mudra Card: MUDRA has launched a very convenient product for the purpose of working capital requirement called "MUDRA Card", which is a Debit card issued on RuPay platform. It provides paper and formality free credit in a flexible manner.

Table-4: Disbursement of loan to SC/ST/OBC⁶.

Bank type	SC		ST		OBC	
	No. of A/c	Disbursement (Amt in Rs. Crore)	No. of A/c	Disbursement (Amt in Rs. Crore)	No. of A/c	Disbursement (Amt in Rs. Crore)
Public sector Bank	360306	3028.38	159962	1364.22	901691	7238.35
Private Sector Bank	584695	1672.37	165103	438.99	1106900	3759.34
Regional Rural Bank	171655	1227.81	87300	664.73	462525	3285.69
NBFC – MFI	4892200	8606.31	1241112	2239.07	8006075	15271.67
NON NBFC – MFI	105881	156.92	24869	35.02	131225	207.46
TOTAL	6114737	14691.79	1678346	4742.03	10608416	29762.51

Table-5: Disbursement of loan to people belong to Minority group⁶.

Bank Type	Minority	
	No. of accounts	Disbursement (Amt in Rs. Crore)
Public sector Bank	498634	5313.69
Private Sector Bank	448106	2122.73
Regional Rural Bank	147011	1424.18
NBFC – MFI	2920382	4580.73
NON NBFC – MFI	74077	118.97
Total	4088210	13560.30

The card will help by providing a pre-approved credit limit to the members that can be utilize any time to purchase raw materials and components from registered producers on an online platform. In the future bank can link this card with Pradhan Mantri Jan DhanYojana Savings Account of the borrower and the drawals could also be enabled through the Bank’s ATM network for meeting the immediate liquidity problems. It is a great support for working capital requirement by manufacturing units. Scheme is very well accepted by financial institutions. So far corporation bank has launched MUDRA card under PMMY⁷.

MUDRA Card is an innovative product introduced during the year to take care of the frequent and flexible credit needs of small borrowers. The card is issued as a Debit card on RuPay platform and can be used for drawl of funds and also repayment as and when there is surplus, so that the loan amount can be managed judiciously. The card was introduced during the year which was adopted by most of the PSBs, RRBs and a few Private Sector Banks too. The total number of card issued during the year was at 5.17 lakh for an amount of ` 1476.96 cr. An amount of Rs. 1391.25 crore was withdrawn by the borrowers. The average amount of MUDRA card works out to ` 28567 per card.

Table-6: Disbursement through Mudra card⁶.

Bank Type	Mudra Card (Amount in Cr Rs.)
Public sector Bank	1290.7
Private Sector Bank	0
Regional Rural Bank	101.18
TOTAL	1391.25

Target for FY 2017: Government of India has set a target of ` 1,80,000 crore for FY 2016-17 to SBI & Associates, Public Sector Banks, Private Sector Banks, Foreign Banks, Regional Rural Banks, NBFC-MFIs and Non-NBFC MFIs as per the details given below:

Table-7: Target Amount for loan disbursement in FY 2017⁶.

Type of the Institutions	Target Amount in Rs. Crore
Public sector Bank	77,700
Private Sector Bank	21,000
Regional Rural Bank	15,000
NBFC – MFI	64,240
NON NBFC – MFI	2,060
TOTAL	1,80,000

Impact on Indian Economy: i. Enhance Liquidity: To enhance liquidity, a loan amount of Rs 24000 crore has already been disbursed to 37 lakhs people till on 22 September 2015 through government banks under PM MUDRA bank scheme. ii. Increase in Production Capacity: Due to timely disbursement from financial institutions, small entrepreneurs can utilize optimum

capacity of their resources to increase productivity. iii. Employment Generation: Government has announced nationwide campaign to spread awareness about PMMY. Approx. 5.77 crore small business units are expected to be benefited from MUDRA scheme which can generate almost 11 crore jobs. iv. Increased share in GDP: Availability of formal financing body like MUDRA to Non-Corporate small business sector can increase the output of small enterprises and hence can contribute more to India's GDP.

Conclusion

Government of India started MUDRA scheme to formally support small scale enterprises so that they can participate in mainstream financial activities and directly contribute to Indian economy. Scheme is well accepted by banking and other financial institutions. With MUDRA, certain things have changed and it is helping more and more people to become self-employed. If the MUDRA scheme works well in future, then there will be increased market of the domestic/ indigenous products. When the products born out of the MUDRA scheme will get foreign currency in the country which will improve the stand of the Indian Rupees in the international currency market. The Mudra Scheme is trying its best to improve the status of women and other backward sections of the society especially those who are not well educated and semiskilled. The financial support in the form of various loans encouraging them to start new ventures and thereby empowering them. Its impact in developing a strong economy will be seen in the coming years.

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