



# A STUDY ON ROLE OF MUDRA YOJNA ON LENDING TO MSME'S (MUDRA)

Dr. Ambadas Tulshiram Bhosale  
Principal, Smt. Sudhtai Mandke College,  
Pune- 411038.

## *Abstract*

In a Developing country having large population like India, small businesses play an important role not only in contributing to nation GDP but also by providing employment to a large no of people. 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 importance and the role of MUDRA bank towards the small business units.

## *Key Words:-*

Small Business Units, MUDRA, MFIs, MSME, last mile lending.

## ➤ **INTRODUCTION**

In a Developing country having large population like India, small businesses play an important role not only in contributing to nation GDP but also by providing employment to a large no of people. In India over 6000 products are manufactured by around 5.77 crore units and employ 460 million people in the country, of which 262 million people are self-employed. Micro Small and Medium Enterprises (MSME) contributes around 8per cent to GDP. The small businesses in the country are largely unorganized but employ a sizeable labour force (ASSOCHAM INDIA, SMERA Ratings Limited, 2015). Small businesses are not in a position to play their role effectively due to various constraints. Raising finance is one of the biggest problems for this sector. The scarcity of financial assistance and inadequate availability of credit facilities due to the weak credit worthiness of small businesses are the major causes of this problem. To remove the financial difficulties faced by micro and small business units the government of India launched a scheme on 8th April 2015 called Micro Unit Development and Refinance Agency, or MUDRA to 'fund the unfunded'. 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. Mudra loans have been formed to provide enterprises a rational financial system, or to “fund the unfunded”. Mudra loan serves a variety of purposes that helps in generating employment and income in various segments like Manufacturing, Services, Retail, and Agri. Allied Activities. Mudra Loans has classified its products into 3 categories i.e., “Shishu”, “Kishor” and “Tarun”. These products have been classified into 3 categories based on the amount of financial assistance which ranges from 50,000 to 10,00,000.

### ➤ **OBJECTIVES OF THE STUDY**

- To know the objectives, benefits, and eligibility of the MUDRA Yojana scheme.
- To know the different scheme and performance of MUDRA Yojana scheme.
- To know the effects on the banking sector.
- To know the effects of the NPA in the banking sector.

### ➤ **Purpose of MUDRA loan**

- 1) There are various purpose covered under the umbrella of Mudra Loan which in turn generate income and employment in the economy. These loans serve the following purposes: Business Loans for enterprises engaged in Trading, manufacturing, and other Service Sector activities.
- 2) MUDRA Cards for facilitating Working Capital Loans.
- 3) Financing to Micro Units for Plant & Machinery.
- 4) Loans for Vehicles used for commercial purposes.
- 5) Loans for non-farm income-generating activities like poultry and book keeping.

### ➤ **Benefits of Mudra Loan**

- 1) The scheme Provide financial assistance to micro, medium, and small enterprises .
- 2) One of the major benefits of a Mudra loan is no mortgage/pledge is required to be offered by the borrowers in the form of collateral security.
- 3) No processing fee is charged.
- 4) Both fund and non-fund-based requirements are covered under this scheme.
- 5) Under this scheme, there is no minimum cap limit.
- 6) The interest rate on loans under this schemes is determined as per guidelines of RBI.

7) Mudra Card can be used for multiple credits and withdrawals, and this helps the borrower to manage his/her working capital limits most cost-effectively and reduce the interest burden.

➤ **Eligibility**

All the below-mentioned enterprises are eligible for availing PMMY Mudra Loan.

- 1) Agri-allied Non-farm enterprises.
- 2) MSME Enterprises.
- 3) Enterprises that are engaged in activities generating income.
- 4) Manufacturing, trading and service enterprises
- 5) Enterprises engaged in allied agriculture activities.
- 6) Enterprises wherein credit requirement is up to ten lacs.

### ***METHODOLOGY OF THE STUDY***

The data and information for the study is gathered from secondary sources like newspapers, magazines, various websites including annual reports generated from official website of MUDRA Yojana.

### ***MUDRA – AN OVERVIEW***

Micro Unit Development and Refinance Agency (MUDRA) has been setup for 'funding the unfunded'. MUDRA has an initial corpus of Rs. 20,000 crore and a credit guarantee corpus of Rs. 3,000 crore. The initial corpus would be provided by banks from their priority sector lending shortfall. It was set up through a statutory enactment which would be responsible for developing and refining MFIs which are in the business of lending to micro and small business units engaged in manufacturing, trading and service activities.

According to the financial services secretary Hasmukh Adhia, MUDRA is an NBFC and a part of SIDBI and will later take the form of a bank through a bill within one year. MUDRA bank 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 (MFIs) through Pradhan Mantri Mudra Yojana (PMMY). The main motive behind set up of Mudra Bank is, to encourage entrepreneurs and small business units to expand their competences and operations, to diminish over indebtedness and to provide formal and easy system of credit.

**Result and Analysis** The scheme has completed its 5 years of journey so far and as per the latest available data till FY19 the cumulative total number of accounts created under the scheme is 18,25,82,882 cr. against which the cumulative amount sanctioned stands to Rs. 8,93,377.7 Cr. & cumulative actual amount disbursed stands to Rs. 8,66,515.7 Cr. respectively as shown in table 1 & figure 1.

**Table 1: Category-wise analysis of PMMY scheme****(In Crore)**

Category	Amount Sanctioned (FY 18-19)	Amount Sanctioned (FY 17-18)	Amount Sanctioned (FY 16-17)
Sishu	1,42,345.25 (44%)	1,06,001.6 (42%)	85,100.74(48%)
Kishor	1,04,386.68 (32%)	86,732.15 (34%)	53,545.14(30%)
Tarun	74,990.86 (23%)	60,943.36 (24%)	41,882.66(23%)
Total	3,21,722.79	2,53,677.10	1,80,528.54

**Note:** The figures in the parenthesis indicate the percentage of achievement in each of the years.

Among the three categories, Shishu loan has been consistently performing and has covered the largest share of 48%, 42%, and 44% in FY17, FY18, and FY 19 respectively, followed by Kishor and Tarun. In FY 19 the percentage shares among all the 3 variants stand as Shishu (44%), Kishor (32%) and Tarun (23%). Performance of top ten state represented in table 2 and figure 2.

**Table 2: Performance of Top 10 States****(In crore)**

Name of State	Amount Sanctioned (FY 18-19)	Amount Sanctioned (FY 17-18)	Amount Sanctioned (FY 16-17)
Tamil Nadu	34,260.05 (35%)	25,331.68 (40%)	18,052.68
Karnataka	29,995.35 (30%)	23,009.73 (28%)	18,002.55
West Bengal	26,462.13 (29%)	20,552.19 (31%)	15,695.01
Maharashtra	26,438.94 (16%)	22,751.40 (32%)	17,286.66
Uttar Pradesh	26,190.58 (19%)	22,077.89 (44%)	15,282.61
Bihar	24,405.99 (53%)	15,919.40 (31%)	12,190.60
Rajasthan	17,506.39 (26%)	13,862.55 (54%)	9,024.71
Madhya Pradesh	17,407.92 (17%)	14,886.15 (42%)	10,506.45
Odisha	15,770.28 (36%)	11,558.91 (46%)	7,891.34
Gujarat	13,216.78 (16%)	11,386.52 (46%)	7,781.94

Note: The figures in the parenthesis indicate the year-on-year percentage achievement

Among all the Top 10 states' performance as identified in the above chart, the highest year-on-year growth has been reported by Bihar (From 31% to 53%) and Karnataka (From 28% to 30%). Rest all states have shown a downfall in the performance. In FY19 the highest performers are Bihar, Odisha, Tamil Nadu, and Karnataka which stands as 53%, 36%, 35%, and 30% respectively.

## Impact Assessment on Banking Sector

### Table 3: Agency-wise Performance

Financial Institutions	Sanctioned Amount (FY 18-19)	Sanctioned Amount (FY 17-18)	Sanctioned Amount (FY 16-17)
Public Sector Bank (Including SBI)	99,234.96 (7%)	92,492.68 (29%)	71,953.67
Regional Rural Banks	18,046.89 (17%)	15,454.51 (27%)	12,009.52
Private Sector Bank (Including Foreign Banks)	64,037.25 (29%)	49,545.11 (29%)	39,042.60
Small Finance Banks	29,794.37 (57%)	19,022.89 (183%)	6,729.01
NBFC & Non-NBFC- MFIs	63,470.97 (27%)	50,143.75 (11%)	45,338.22
Non-Banking Financial Companies	47,136.75 (74%)	27,018.16 (396%)	5,455.53
Total	3,21,722.79	2,53,677.10	1,80,528.55

Note: The figures in the parenthesis indicate the year-on-year percentage achievement.

### Figure 3: Agency Wise Performance Over last 3 years

Table 3 and figure 3 reveals the year-on-year increase in the PMMY Mudra Loan scheme, among all the categories of Financial Institution in absolute terms. However, the percentage increase has fallen as compared from FY17 to FY18 and FY18 to FY19 respectively. But it's pertinent to mention here that the fall in percentages doesn't depict the performance of Financial Institutions. Since the scheme has been launched only 5 years back so in the initial phase the sanctions have gone up like anything as it was in a growing phase and the same is now growing at a nominal growth rate.

### Table 4: Loan accounts created and Loan sanctioned and disbursed in the last 3 years

Financial Year	No. of Loans Account	Amount Sanctioned (In crore)	Amount Disbursed (In crore)
18-19	5,98,70,318 (21.39%)	3,21,722.79 (26.82%)	3,11,811.38 (26.52%)
17-18	4,81,30,593 (21.23%)	2,53,677.10 (40.52%)	2,46,347.20 (40.57%)
16-17	3,97,01,047 (13.82%)	1,80,528.54 (31.14%)	1,75,312.13 (31.86%)

Note: The figures in the parenthesis indicate the year-on-year trend

The above data on table 4 reveals that PMMY Mudra Loan has outstanding performance in the FY 2017-18 in terms of Loan sanctioned and Loan disbursed. Also, the No. of loan accounts is increasing year-on-year but at a slow pace.

### Comparison of NPA under PMMY to Gross NPA of Banks

Table 5: Summary of NPAs under PMMY and Gross NPAs of Bank as of 31.03.2019.

S.No.	Scheduled Commercial Banks(SCBs)	NPA Amount PMMY	Gross NPA	PMMY NPA % to GNPA of Bank
1	State Bank of India (SBI)	2,694	1,70,813	2%
2	Punjab National Bank (PNB)	1,605	76,724	2%
3	Bank of India (BOI)	966	51,167	2%
4	Canara Bank	921	36,165	3%
5	Syndicate Bank	845	22,348	4%
6	Union Bank of India (UBI)	547	47,554	1%
7	Bank of Baroda (BOB)	523	40,388	1%
8	Bank of Maharashtra (BOM)	450	15,324	3%
9	Allahabad Bank	382	28,698	1%
10	Indian Bank	356	13,156	3%
11	Corporation Bank	310	20,724	1%
12	Andhra Bank	295	28,974	1%
13	Central Bank of India	226	32,356	1%
14	Indian Overseas Bank (IOB)	210	32,416	1%
15	Oriental Bank of Commerce (OBC)	164	21,717	1%
16	United Bank of India (UBI)	109	12,053	1%

From the above table 5, it can be seen that the NPA percentage under the PMMY Mudra scheme is ranging from 1% to 4% only as compared to total NPAs of Banks which is nearly 10%. This shows that though there are NPAs under PMMY Mudra Yojna, the impact is not that significant and if proper measures have been taken the NPAs can be reduced.

### Highlights of PM MUDRA YOJNA

#### ➤ Overview

PM Mudra Yojana Loan is classified into the following three categories:

Categories	Maximum Loan Amount	Description
<b>Shishu</b>	Rs. 50 thousand (US\$ 677.07)	This category is for entrepreneurs who are either in the early stages of their business or need minimal capital to get started. Under this category, the applicant will be qualified for a credit of up to Rs. 50,000 (US\$ 677.07).
<b>Kishor</b>	Rs. 5 lakh (US\$ 6.77 thousand)	This category is for entrepreneurs who have a funding requirement between Rs. 50,000 (US\$ 677.07) and Rs. 5 lakh (US\$ 6.77 thousand). It includes entrepreneurs who have already started their company and need additional funds to expand.
<b>Tarun</b>	Rs. 10 lakh (US\$ 13.54 thousand)	This category includes entrepreneurs who have a funding requirement of Rs. 10 lakh (US\$ 13.54 thousand), which is the maximum sum that an entrepreneur could apply for a start-up loan.



In the last five years (from 2015 to 2020), the PMMY programme has benefited 24.48 crore loan accounts, with a sanction of Rs. 12.30 lakh crore (US\$ 166.56 billion), allowing small business owners to contribute to the country's overall economic development.

According to a study published by the Labour Bureau, under the Ministry of Labour and Employment, MUDRA loans generated 11.2 million additional jobs between 2015 and 2018, wherein 55% were self-employed jobs and 45% comprised new jobs, which were created in existing businesses. In the same period, women workforce accounted for 62% of the total estimated increase in jobs in India.

According to the report, prior to the MUDRA scheme, 39.3 million people were working in numerous small businesses; this number increased to 50.4 million between 2015 and 2018. In addition, the number of self-employed people increased to 31 million until 2018, from 25.9 million (before the scheme). Also, the number of hired employees rose from 13.4 million to 19.5 million until 2018.

### ➤ **PMMY:- Target vs. Achievement**

In FY20, the total sanctions under PMMY increased to Rs. 3.37 lakh crore (~US\$ 46 billion), exceeding the target set at Rs. 3.25 lakh crore (~US\$ 44 billion) and benefiting 6.22 crore beneficiaries.

In FY21, PMMY sanctions stood at Rs. 2.7 lakh crore (US\$ 37 billion) to ~42 million loans.

As of FY21 (until February 2021), PMMY disbursed 94% loans that were approved for micro and small enterprises (MSEs). Of the Rs. 2.38 lakh crore (~US\$ 32 billion) loans to 3.68 crore accounts, Rs. 2.24 crore (US\$ 303.44 thousand) was disbursed within 11 months in FY21.

### ➤ **PMMY Sanctions in FY20 by sub-categories of borrowers**

In FY20, *Shishu* loans had the largest share among all three categories, accounting for 88% of the total accounts and 48% of the total value. Further, *Shishu* loans sanctioned funds increased by 15% YoY.

In FY20, 66% MUDRA loan accounts (in the *Shishu* category) belonged to women, who received 67% of the sanctioned amount. This high percentage was mainly due to MFIs lending microloans to women.

Women entrepreneurs are expected to play a significant role in transforming India into a self-reliant country. According to a report by Bain & Co. and Google, women entrepreneurs in India are expected to generate ~150-170 million jobs by 2030, accounting for > 25% of all new jobs available for India's working-age population.

Through PMMY, the government has offered numerous opportunities to women entrepreneurs. Between 2015 and 2021 (until February 2021), ~68% loans, representing 19.04 crore accounts, with a total value of Rs. 6.36 lakh crore (~US\$ 86 billion) have been sanctioned to women entrepreneurs.

### ➤ **PMMY: Agency-wise Achievement in FY20**

For FY20, the Indian government set a goal to achieve Rs. 3.25 lakh crore (~US\$ 44 billion), under PMMY, which was distributed among various lending institutions, banks, MFIs (microfinance institutions) and NBFCs (non-banking finance companies) based on their scope and presence across the country.

In FY20, the overall output of the programme adopted by all lending institutions increased by 5% YoY at Rs. 3.37 lakh crore (~US\$ 46 billion) from Rs. 3.21 lakh crore (~US\$ 43 billion) (sanction amount) in FY19. In addition, public sector banks reported a 0.4% YoY surge and private sector banks posted a 43% YoY increase in terms of sanction amounts.

Among the public sector banks segment, State Bank of India (SBI) led the space, with Rs. 35,125 crore (~US\$ 4 billion) sanctions, followed by Bank of Baroda at Rs. 10,282 crore (US\$ 1.39 billion) and Canara Bank at Rs. 9,489 crore (US\$ 1.29 billion).

## **CONCLUSION**

The small businesses form the foundation of the economic strata needs to be strengthened and supported. A large number of initiatives have been taken in the past few years are a step in the right direction. MUDRA Yojana is the latest scheme to boost the small and micro businesses in India. This initiative has been taken to focus exclusively on entrepreneurs. This scheme will contribute to the well-being of the individuals engaged in small scale industries which will positively affect the progress of the economy as a whole. MUDRA as a financial tool is found very effective in its initial stages across the country. This will surely make a dramatic change and will help in making a developed India.

## **REFERENCES**

- 1) MUDRA -Micro Units Development & Refinance Agency. (2015, December 1). Retrieved December 14, 2015, from [www.pmawasyojana.in/2015/12/mudra-scheme.html](http://www.pmawasyojana.in/2015/12/mudra-scheme.html)
- 2) PM launches MUDRA Bank to fund small businesses. (2015, April 9). New Delhi: Business Standard.
- 3) PM launches MUDRA Bank to fund small businesses. (2015, April 9). Retrieved December 15, 2015, from business Standard. Website: [http://www.business-standard.com/article/economy-policy/pm-launches-mudra-bankto-fund-micro-finance-institutions-115040800189\\_1.html](http://www.business-standard.com/article/economy-policy/pm-launches-mudra-bankto-fund-micro-finance-institutions-115040800189_1.html)
- 4) ASSOCHAM INDIA, SMERA Ratings Limited. (2015). Small Business financing through MUDRA Bank - The Way forward Nurturing the start-ups for building the economy. New Delhi.
- 5) Benefits of Mudra Bank- How to Take Loan from Mudra Bank. (n.d.). Retrieved December 14, 2015, from <http://www.15august.in/2015/04/benefits-of-mudra-bank-how-to-take-loan.html>
- 6) Dubbudu, R. (2015, October 26). Here is all that you need to know about the MUDRA Loans. Retrieved December 15, 2015, from <https://factly.in/here-is-all-that-you-need-to-know-about-the-pradhan-mantri-mudra-yojana-loan/>
- 7) Mudra Offerings, State Wise PMMY Report. (n.d.). Retrieved December 20, 2015, from MUDRA Website: <http://www.mudra.org.in/>
- 8) Venkatesh, J & Kumari, R. L. (2015, July). Performance of MUDRA Bank: A study on financial assistance to MSME sector. International Journal of Research in Economics and Social Sciences, 5(7), 185-191.
- 9) Agarwal, M., and Dwivedi, R. (2017). Pradhan Mantri Mudra Yojna: A Critical Review.



Parikalpana: KIIT Journal of Management, 13(2), 97-106.

- 10) George, B and Nalini, J. (2018). Role of MUDRA bank in the growth of MSMEs. International Journal of Business and Management Invention, 7(2), 59-62.
- 11) Roy, A. K. (2016). Mudra Yojana- A Strategic tool for Small Business Financing. International Journal of Advanced Research in Computer Science and Management Studies, 4(1), 68-72.
- 12) Rudrawar, M. A. A., and Uttarwar, V. R. (2016). An Evaluator Study of the MUDRA Scheme. International Journal of Multifaceted and Multilingual Studies, 3(6).
- 13) Shahid, M., and Irshad, M. (2016). A Descriptive Study on Pradhan Mantri Mudra Yojana (PMMY). International Journal of Latest Trends in Engineering and Technology Special Issue, 121-125.

