



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## An Empirical Analysis on Performance of PMMY Scheme with Special Reference to State of Tamilnadu

**Author Name:** Manikandan.S

**Designation:** Research Scholar, Department of Commerce

**Institution:** Thavathiru Santhalinga Adigalar Kalai Ariviyal Tamil Kaloori, Coimbatore

**Co-Author Name:** Dr.N. Tamilchelvi

**Designation:** Associate Professor and Head, Department of Commerce

**Institution:** Thavathiru Santhalinga Adigalar Kalai Ariviyal Tamil Kaloori, Coimbatore

### ABSTRACT

MUDRA was launched as a refinancing institution to provide funding support to the lending institutions engaged in financing micro units in the country. Micro enterprises are an important sector of the Indian economy which is providing jobs to millions of people and promoting income as well. It is estimated that more than 60 million micro enterprises support over 100 million people for their employment and livelihood. Micro enterprise constitutes an important pillar of Indian economy as they account for more than 90 percent of non agriculture employment. The sector continues to grow despite of issues like non availability of credit, limited market linkages, technology obsolescence, etc. Access to institutional finance could potentially turn these micro entrepreneurs into strong instruments of GDP growth and employment. To build on this opportunity Government of India initiated the Micro Units Development and Refinance Agency Limited (MUDRA) in 2015-2016 with the mandate of 'Funding the Unfunded' micro entrepreneurs. On this background the paper attempts to study the performance of PMMY Scheme and evaluate the performance in India and in the state of Tamilnadu.

**Keywords:** *Micro Enterprises, MUDRA, GDP, Market linkages, Employment Generation.*

## Introduction

India has emerged as one of the fastest developing economies in the world. According to the Economic Survey 2015-2016 the Indian economy will grow at more than 7 percent in 2016-2017. According to International Monetary Fund (IMF) world Economic Outlook Update, Indian economy is expected to develop at 7 percent to 7.75 percent during 2016-2017. In India about 80 percent are MSMEs (micro, small, medium enterprises) are micro enterprises. These micro enterprises engage nearly 10 crore people in the country offering livelihood to five time that number. Around 94 percent of small business units are Own Account Enterprises (OAEs) run by individuals belonging to financially weaker segment comprising of SCs, STs or OBCs. The credit availability to these enterprises was accessed mostly from moneylenders, friends and relatives. Other financially weak sections engaged in micro enterprises faced huge challenges in accessing credit. Access to institutional finance could potentially turn these micro entrepreneurs into strong instruments of GDP growth and employment. To build on this opportunity Government of India initiated the Micro Units Development and Refinance Agency Limited (MUDRA) in 2015-2016 with the mandate of 'Funding the Unfunded' micro entrepreneurs.

The concept and role of MUDRA was outlined by Hon'ble Finance Minister in his budget speech in February 2015. Thereafter MUDRA was wholly owned subsidiary of (SIDBI) Small Industries Development Bank of India which was instituted as a public limited company in March 2015. It was registered as a (NBFI) Non-Banking Finance Institution with Reserve Bank of India on April 8<sup>th</sup> 2015 by the Hon'ble Prime Minister of India to support the micro enterprises sector in the country. Alongside the inauguration of MUDRA, Hon'ble Prime Minister also launched the (PMMY) Pradhan Mantri Mudra Yojana scheme to extend loans to micro enterprises.

## Advent of MUDRA and PMMY

The setting up of MUDRA and PMMY sought to fill the credit gaps in small, micro and tiny enterprises to spur economic activity. The PMMY was setup with the objective of fulfilling loan requirements upto INR 10 lakh for such enterprises to start or expand their business activities. Upto March 31<sup>st</sup> 2016 an aggregate credit of INR 1, 32,954 crore was extended to 34.88 million loan applicants.

## Funding Assistance to Microfinance Institutions

MUDRA has stimulated the microfinance funding ecosystem. MUDRA provided INR 616 crore by way of finance to Microfinance Institutions. According to MFIN report that borrowings by microfinance institutions during 2015-2016 from financial institutions were around INR 33,700 crore which 53 percent year to year increase. The business domain of MUDRA consists of income generating micro enterprises engaged in manufacturing, trading and services sectors for loans upto INR 10 lakh. From fiscal 2016-2017 micro enterprises involved in activities allied to agriculture have also been brought within the PMMY loans. The overdraft amount of INR 5000 sanctioned under PMJDY (Pradhan Mantri Jan-Dhan Yojana) is also treated as part of MUDRA loans under PMMY.

## Objectives

- To study the overall performance of Mudra scheme in India
- To examine the progress of PMMY scheme in the state of Tamilnadu

**Methodology:** This paper is based on secondary data and it is descriptive in nature. The data satated by researcher have been extracted from various data sources including journals, magazines, websites and annual reports. The data which is taken is majority from the official website of MUDRA ([www.mudra.org](http://www.mudra.org)) and Annual Reports of MUDRA Bank. The paper focuses on different schemes of PMMY and overall performance of MUDRA. To analyze the progress of PMMY from 2015-2016 to 2019-2020 statistical tools such as Annual Growth Rate, Compound Growth Rate is used to measure it.

**MUDRA Schemes:** Pradhan Mantri Mudra Yojana (PMMY) also known in the Indian banking circles as the Mudra loan scheme and the scheme not only intends to bridge the funding gap to the micro enterprises but also aims to boost the confidence of the first generation entrepreneurs and assist existing small businesses expand their activities. PMMY envisages providing Mudra loans to income generating micro enterprises engaged in manufacturing, trading and services upto INR 10 lakh. The Mudra loans are divided into three categories that signify the growth, development and funding needs of the beneficiaries.

Shishu: Loan upto INR 50,000

Kishore: Loans from INR 50,001 to INR 5, 00,000

Tarun: Loans from INR 5, 00,001 to INR 10, 00,000

In addition the overdraft amount of INR 5000 sanctioned under PMJDY has been also considered as a Mudra loan. The project cost to sanction loans is accepted on the basis of business plan and through investment proposal. Banks, Non Banking Financial companies (NBFCs), Microfinance Institutions (MFIs) and other financial intermediaries enrolled by Mudra periodically are eligible to extend Mudra loans. The lending terms PMMY in margin, interest rate, and security are as per the RBI guidelines. As per RBI stipulations banks are mandated not to collect collateral security in the case of loans upto INR 10 lakh extended to units in the MSMEs sector.

**Progress of Pradhan Mantri Mudra Yojana (PMMY)****Table1: MUDRA Targets Achieved by PMMY**

(INR in crore)

Year	PMMY Loan Target	Loan Sanctioned	AGR( in Sanctioned Amount)
2015-2016	1,22,188	1,37,449	-
2016-2017	1,80,000	1,80,529	23.86
2017-2018	2,44,000	2,53,677	28.84
2018-2019	3,00,000	3,21,723	21.15
2019-2020	3,25,000	3,37,495	4.67
CAGR			19.68

Source: Annual Report of Mudra (2015-2016 to 2019-2020), (AGR – Annual Growth Rate, CAGR – Compound Annual Growth Rate)

The above table shows the targets achieved by Pradhan Mantri Mudra Yojana (PMMY) scheme for the period 2015-2016 to 2019-2020. In 2016-2017 the government has set disbursement target of INR 1, 80,000 crore an increase of 23.86 percent over the amount sanctioned set for 2015-2016. With similar support from partner institutions, as received in 2015-2016 Mudra hopes to achieve this target. During the first year an amount of INR 1, 22,188 crore was set as the target under PMMY, against which an amount of INR 1, 37, 449 crore was sanctioned by banks and MFIs thereby achieving the target. During second year 2016-2017 the target was at INR 1,80,000 crore and the same was achieved by sanctioning more than INR 1,80,529 crore loan by banks, MFIs, SFBs and NBFCs with growth rate of 23.86 percent in loan amount sanctioned. More than INR 2, 53,677 crore has been sanctioned in 2017-2018 in the third year of operation as against target of INR 2, 44,000 crore with growth rate in loan sanction 28.84 percent. The achievement data indicates only 4.67 percent growth in 2019-2020 in the overall performance of the programme implemented by all the lending institutions. This is due moderate growth in public sector banks. The overall progress of PMMY is determined through the CAGR which denoted 19. 68 percent growth in loan sanctioned.

## Performance of Supporting Institution under PMMY

Table: 2 Performance of Public and Private Sector Banks under PMMY

(INR in crore)

Year	Public Sector Banks			Private Sector Banks		
	Target	Amount Sanctioned	AGR	Target	Amount Sanctioned	AGR
2015-16	77700	59674	-	21000	20445	-
2016-17	77700	71954	17.07	21000	39043	47.63
2017-18	94495	92493	22.21	47150	49545	21.20
2018-19	108690	99235	6.79	57850	64037	22.63
2019-20	128000	117729	15.71	70025	91780	30.23
CAGR			14.56			35.03

Source: Annual Report of Mudra (2015-2016 to 2019-2020), (AGR – Annual Growth Rate, CAGR – Compound Annual Growth Rate)

Table: 3 Performance of Regional Rural Banks, Microfinance Institutions/ Small Finance Banks and Non-Banking Financial Companies under PMMY

(INR in crore)

Year	RRBs			MFIs/SFBs			NBFCs		
	Target	Amount Sanctioned	AGR	Target	Amount Sanctioned	AGR	Target	Amount Sanctioned	AGR
2015-16	15000	11324	-	2060	46005	-	64240	*	-
2016-17	15000	12009	5.70	66300	55657	17.34	*	1866	100
2017-18	19255	15455	22.30	75050	69167	19.53	9050	27018	93.09
2018-19	20560	18047	14.36	80850	93265	25.84	32050	47137	42.68
2019-20	*	*	*	86775	87468	-6.63	40200	40518	-16.34
CAGR			12.36			13.71			115.87

Source: Annual Report of Mudra (2015-2016 to 2019-2020), (AGR – Annual Growth Rate, CAGR – Compound Annual Growth Rate), (\* target not given)

The above table 2 and table 3 show the performance of supporting institutions under Pradhan Mantri Mudra Yojana (PMMY). The data indicates the growth in respect of Public sector banks and private sector banks were at 14.56 percent and 35.06 percent, the same increased significantly by 12.36 percent for RRBs, 13.71 percent for MFIs/SFBs and 115.87 percent for NBFCs. Among the supporting institutions the private sector banks performed very well with a sanction of INR 39,042.60 crore during the year 2016-2017. The Bandhan Bank which converted itself to the universal bank from MFI topped the list with INR 14,762 crore and the other major contributor in the private sector bankers are HDFC bank INR 5,523 crore, IndusInd Bank with INR 5,456 crore and ICICI bank with INR 5,168 crore. NBFCs have also emerged as a major contributor to the PMMY with a total sanctions of INR 40,518 crore. In this category Fullerton India credit company Limited has been the highest contributor with a total sanction amount of INR 11,666 crore. Among the Public sector banks State Bank of India with INR 28,791 crore sanction for 14.10 lakh accounts topped followed by canara bank and Punjab National Bank with INR 7,665 crore sanction and INR 6,838 crore sanction respectively. The growth of public sector banks was 22.30 percent growth in 2017-2018. There was a downward trend in 2018-2019 but again in 2019-2020 the State bank of India sanctioned INR 35,125 crore to 36.76 lakh accounts topped and followed by Bank of Baroda and Canara Bank with sanction of INR 10,282 crore and INR 9,489 crore respectively.

### Category wise Performance of PMMY

**Table: 4 Number of Loans Sanctioned under PMMY**

(INR in crore)

Year	Shishu	AGR	Kishor	AGR	Tarun	AGR
2015-2016	32401046	-	2069461	-	410417	-
2016-2017	36497813	11.22	2663502	22.30	539732	23.96
2017-2018	42669795	14.46	4653874	42.77	806924	33.11
2018-2019	51507438	17.16	6606009	29.55	1756871	54.07
2019-2020	54490617	5.47	6471873	-2.07	1285116	-36.71
<b>CAGR</b>		<b>10.96</b>		<b>25.61</b>		<b>25.64</b>

Source: Annual Report of Mudra (2015-2016 to 2019-2020), (AGR – Annual Growth Rate, CAGR – Compound Annual Growth Rate)

Mudra loans are extended in three categories based on the size of the loans. They are Shishu (upto INR 50,000), Kishor (above INR 50,000 and up to INR 5, 00,000) and Tarun (above INR 5, 00,000 and upto INR 10, 00,000). Among three categories, Shishu loans had the highest share in terms of number of accounts and which was followed by Kishor and Tarun. The share of Kishor loans grew by 22.30 percent in 2016-2017 compared to 2015-2016. In contrast, the share of Shishu and Tarun loans went up marginally in 11.22 percent and 23.96 percent as compared to 2015-2016. In the year 2017-2018 Kishor loan had increased to 42.77 percent compared to 22.30 percent in 2016-2017. Share of Tarun increased slightly to 33.11 percent. During the study period from 2015-2016 to 2019-2020 it is evident that the issue of Shishu loan was highest compared to Kishor and Tarun. But on the year to year growth rate the highest compound growth rate was in Tarun and Kishor which was 25.64 percent and 25.61 percent respectively.



## Progress of PMMY in Tamilnadu

According to various Government data Tamilnadu had received INR 18,052.68 crore as Mudra loan in 2016-2017 which was the highest among the other states, followed by Karnataka and Maharashtra. During 2018-2019 as many as 39, 70,804 beneficiaries have been sanctioned loans about INR 17,841.57 crore of which INR 17,458.13 crore released. As per Government reports the micro, small and medium enterprises in the country manufacture over 6000 types of products and Tamilnadu is the forerunner in the textile and plastic industries, engineering products and automobile industries providing employment both directly and indirectly to more than 1.57 crore people. As per the Udyog Aadhaar Registration report about 4, 63,836 micro enterprises and 61,613 small enterprises besides 1,493 medium enterprises are there in Tamilnadu. Under the PMMY scheme most of the beneficiaries are from the manufacturing, service and sales sector. Of the total number of loans availed under PMMY scheme 70 percent borrowers were women.

**Table: 5 Pradhan Mantri Mudra Yojana (Shishu) – Tamilnadu**

(INR in crore)

Year	No of Accounts	Disbursement Amount	AGR
2015-2016	4506237	8231.68	-
2016-2017	5000285	10897.54	24.46
2017-2018	5366167	13237.23	17.68
2018-2019	6528577	18597.62	28.82
2019-2020	*	*	*
CAGR			22.60

**Table: 6 Pradhan Mantri Mudra Yojana (Kishor) – Tamilnadu**

(INR in crore)

Year	No of Accounts	Disbursement Amount	AGR
2015-2016	234824	4282.07	
2016-2017	275564	4258.53	-0.55
2017-2018	431666	7176.1	40.66
2018-2019	601720	8710.56	17.62
2019-2020	*	*	*
CAGR			19.43

**Table: 7 Pradhan Mantri Mudra Yojana (Tarun) – Tamilnadu**

(INR in crore)

Year	No of Accounts	Disbursement Amount	AGR
2015-2016	40506	2983.11	
2016-2017	34008	2600.32	-14.72
2017-2018	62332	4567.59	43.07
2018-2019	310365	6499.7	29.73
2019-2020	*	*	*
CAGR			21.49

Source: Annual Report of Mudra (2015-2016 to 2019-2020), (AGR – Annual Growth Rate, CAGR – Compound Annual Growth Rate), (\* target not given)

Pradhan Mantri Mudra Yojana scheme has a major role in establishment of number of MSME units in Tamilnadu. The loan disbursed for 2016-2017 was INR 17,756 crore again in the 2017-2018 to 2018-2019 the disbursement amount was increasing to about INR 24,981 crore to INR 33,808 crore respectively. The state was in first place in terms of the total amount of loan disbursed. The progress of PMMY loan in the state of Tamilnadu for the last four years is shown in the above tables. In the first year of establishment 47 lakh borrowers availed loan worth of INR 8231 crore (Shishu), INR 4282 crore (Kishor) and INR 2983 crore (Tarun) in the state. Out of INR 15,496 crore about INR 8232 crore were disbursement amount under Shishu category the remaining by Kishor and Tarun categories. In 2016-2017 the number of borrowers slightly increased in the state. The total number of accounts under PMMY loan was more than 53 lakhs with a total amount disbursement of INR 17,756 crore. In this year also large part of amount was disbursed under Shishu category which was about INR 10898 crore. PMMY loan have seen tremendous growth in the year 2018-2019. The total loan disbursed amount of INR 33,808 crore which was the highest of all the four years. From the above table it is visible that overall performance of PMMY loan amount under Shishu decreased from 24.46 percent to 17.68 percent in 2016-2017 to 2017-2018 and in 2018-2019 the Shishu loan has again increased from 17.68 percent to 28.82 percent which higher than the previous period. Under Kishore and Tarun the compound growth rate was comparatively lesser than the Shishu loan (22.60 percent) which was about 19.43 percent and 21.49 percent growth.

## Conclusion

Pradhan Mantri Mudra Yojana (PMMY) the Flagship Programme of the Prime Minister aimed at funding the 'Funding the Unfunded' micro enterprises and small businesses completed five years of its operations, which is extending a cumulative amount of INR 12.30 lakh crore under the programme to 24.48 crore loan accounts primarily benefiting the borrowers of weaker sections of the society. The Lending Institutions, which include all the Public Sector Banks, Private Sector Banks, Regional Rural Banks, Small Finance Banks, Micro-Finance Institutions (MFIs) and Non-Banking Financial Companies (NBFCs), together have exceeded the annual targets set out by the Government of India under PMMY every year. During these five years, Micro Units Development and Refinance Agency Ltd. (MUDRA), as a support institution, has played a dual role by extending refinance support to various lending institutions and monitoring the progress of implementation of PMMY closely through a dedicated portal which captures various aggregated data pertaining to the scheme PMMY as per the requirements of the Govt. of India. By the Annual Report of the Five years it is evident that loans under Shishu category comprise of more than 90% of loan. MUDRA loan remain unaffected by increasing number of loans in PMMY. The annual report also states that gross NPA in India across all sectors crossed 10 percent in 2017-2018 but the NPA level under PMMY is only 5.38 percent as on 2018-2019. Thus PMMY continues to be a major initiative of the Government of India providing credit to millions of unfunded micro units in the country.



## References

1. [www.mudra.org](http://www.mudra.org)
2. Annual Report of Mudra Scheme 2019-20 retrieved from C:/Users/Admin/Downloads/Annual-Report-2019-20%20(2).pdf.
3. Annual Report of Mudra Scheme 2015-16 retrieved from C:/Users/Admin/Downloads/Annual-Report-2015-16%20(2).pdf.
4. Annual Report of Mudra Scheme 2016-17 retrieved from C:/Users/Admin/Downloads/Annual-Report-2016-17%20(2).pdf.
5. Annual Report of Mudra Scheme 2017-18 retrieved from C:/Users/Admin/Downloads/Annual-Report-2017-18%20(2).pdf.
1. Dr.Chellasamy.P and Selvakumar.R, (2018), “Financial Inclusion: Performance of Pradhan Mantri Mudra Yojana Scheme in India”, Research Review International Journal of Multidisciplinary, special Issue, Pp: 85-88.
2. Nirmal Joshi and Dr.Joshi.V.P., (2019), “Impact of Mudra Yojana on Financial Inclusion”, Journal of Commerce, Economics and Computer Science, Vol: 05, No: 03, Pp: 305-310.
6. Reserve Bank of India - “Annual Reports” and “Report on Trend and Progress of Banking in India”, various issues

