

# "An Agency-wise Performance Analysis of MUDRA Yojana"

<sup>1</sup>Nikita Agarwal & <sup>2</sup>Dr. Anoop Vyas

<sup>1</sup>Research Scholar, <sup>2</sup>Supervisor

<sup>1</sup>Department of Commerce

<sup>1</sup> SABV Govt. Arts & Commerce College, Devi Ahilya Vishwavidyalaya, Indore, India

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**ABSTRACT:** : In recent times, financial inclusion has been one of the most important objectives of the government to achieve in order to ensure a holistic growth of the economy. A large section of the society mainly the rural and the weaker sections remain away from the formal credit system of the country. These sections have a great potential for starting a small business in a field other than the agriculture and create a means of livelihood for themselves as well as the other population of the country. However, they lack access to financial help from formal sources such as banks and other financial institutions due to lack of awareness and accessibility to these sources. Thus, in order to overcome the issue regarding finance, the Government of India has started a scheme namely PradhanMantriMudraYojana (PMMY) under which they would help in the development of micro enterprises and refinance those institutions that will provide loans to micro entrepreneurs. The scheme has registered various agencies such as commercial banks, micro-finance institutions, non-banking financial companies etc. as their working partners. The current paper outlines the performance of each of these institutions in terms of their contribution under the scheme since its inception as well as draws a comparative analysis of their achievements.

**Key Words:** Entrepreneurs, Financial Inclusion, Institutions, Micro enterprises, MUDRA, PMMY

## Introduction

In recent times, the measurement of the growth of a nation is not only limited to factors such as gross domestic product, per capita income or national income but has now widened by many folds. Inclusive growth is the term that is used to measure the real growth of an economy. By inclusive growth we mean equal distribution of services to the mass population of a nation. Services such as banking and finance, insurance, transportation etc. must reach the rural and the weaker sections of the society to ensure holistic growth of the country. The government of India has been constantly working towards the upliftment of the weaker sections of the society by granting the resources such as funds and equipments for their livelihood means. The government has initiated various schemes to grant credit facilities to the rural and deprived sections of the society to encourage them to take up economic activities such as agriculture, small entrepreneurial activities, non-farm activities and such activities which require less investment and can give returns sufficient to meet the needs of a family. MSME sector is considered to be one of the most promising sectors having a high potential for economic growth. It gives employment to a large number of workforce as most of these units are labour oriented and also constitutes a high share in the total non agriculture Gross Domestic Product as well as the exports of the country. However, a large part of the MSME sector still remains out of the reach of the formal lending mechanism of the nation. According to MSME Pulse report published by Transunion CIBIL and SIDBI in March 2018, only 5 million units out of the total 51 million units have access to formal credit. The government's measures such as digitalization, implementation of GST and bank recapitalization plan are expected to push the credit growth in the MSME sector.

## MUDRA Scheme

Micro enterprises are considered as an important pillar of the economy as they account for 90% of non agriculture employment in the country. But still most of these units do not have access to formal credit facilities and rather they have to depend on informal sources such as family or friends to fulfill their credit requirement. This also leads to excessive exploitation of these entrepreneurs as they are forced to pay a large amount in the form of interest. To overcome such situations, the government has launched a scheme named PradhanMantriMudraYojana (PMMY) under the Honorable Prime Minister Mr. NarendraModi on April 08, 2015. Micro Units Development & Refinance Agency (MUDRA) has been created as a part of this scheme. The objective of PMMY was to bring the micro units under the formal credit mechanism as a part of the financial inclusion process. The core operations of MUDRA is to provide refinance support to the lenders who finance micro units engaged in manufacturing, trading or service sectors upto Rs 10 Lakhs. MUDRA

provides refinance support to commercial banks, RRBs, cooperative banks, Non-Banking Financial Companies (NBFCs) and Micro Finance Institutions (MFIs) that are granting loans to micro enterprises. Other operations of MUDRA include securitization of loan assets, management of fund's resources, monitoring of PMMY, developing new products and operating Credit Guarantee Fund for Micro Units. MUDRA loans are provided to income generating small enterprises such as small manufacturing units, service sector enterprises, shop keeping, fruits and vegetable vending, trucking, operating food services, repairs and maintenance, operating machines, food processing, handicraft making both in the rural as well as urban areas and to the extent of Rs 10 Lakhs only. From FY 2016-17 onwards, activities related to agriculture have also been made eligible under PMMY. The MUDRA loans are divided into three categories based on the current business life-cycle of the borrower enterprise that are:

- **Shishu:** Loans upto Rs 50,000
- **Kishore:** Loans from Rs 50,001 to Rs 5,00,000
- **Tarun:** Loans from Rs 5,00,001 to Rs 10,00,000

In addition to this, the overdraft amount of Rs 5,000 sanction under PMJDY has also been classified as a MUDRA loan. To facilitate hassle free and flexible working capital assistance to the borrowers, MUDRA introduced the MUDRA Card which is a debit card on a RuPay platform that can be operated across the ATMs and Point of Sale (POS) Machines.

The total number of loan accounts sanctioned under PMMY since its inception in 2015 upto FY 2017-18 are 48130593 whereas the total amount sanctioned is Rs 253677.10 crores. The scheme has witnessed a successful increase in both the number as well as the amount sanctioned to the micro enterprises over a span of 4 years.

### Literature Review

Vidushi Sahani & Aparna Raman (2018) assessed the impact of PMMY in Delhi NCT. According to their report, the MUDRA yojana has been successful in generating employment and creating means of livelihood for the semi-skilled, unskilled as well as the other lower socio-economic segments of the society. They found out that majority of the beneficiaries used loans for expansion/working capital requirements of their business while others used for starting a new business.

Abdul Khadar & Dr. A. Abdul Rahim (2018) analyzed the roles and responsibilities of MUDRA scheme in the development of micro sector. They stated that out of the total number of micro units in the country around 54% of these units are owned by rural population. Thus, this scheme will not only help in improving the quality of life of these entrepreneurs but also create substantial opportunities for employment thereby improving the economic status of the rural population as well as the entire nation.

Anup Kumar Ray (2016) identified MUDRA Yojana as a strategic tool for small business financing. He has highlighted the importance of MUDRA banks in the upliftment of the small business enterprises. By analyzing the data on the amount of loans sanctioned under the scheme, he has stated that MUDRA has been found very effective in its early stages across the country and has contributed to the well being of the small scale entrepreneurs.

Parimala Ramesh (2016) evaluated the performance of MUDRA bank scheme. Out of the three categories that are Shishu, Kishore and Tarun, Shishu scheme performed better in terms of loan sanction and loan disbursement than the other schemes. Also SC/ST/OBC got huge benefits under the scheme.

Manish Agarwal & Ritesh Dwivedi (2017) critically reviewed the performance of PMMY. State-wise analysis of data concluded that Rajasthan and West Bengal have shown greater success in the benefits received under the scheme. Also women entrepreneurs are ahead in the share of loan disbursement compared to other categories.

P.A. Ibrahim (2018) conducted a study to assess the performance of MUDRA scheme region-wise, category-wise as well as agency wise. The scheme has widely reached among women entrepreneurs and new entrepreneurs. Northern states have participated less in availing benefits under the scheme compared to other regions. Also, Shishu category performed better than other categories of the scheme and private sector banks have outperformed the loan sanction and disbursement process.

### Objective

The purpose of the paper is to analyze bank/agency wise performance under PMMY in terms of growth in the loan sanction process since the inception of the scheme. Also to assess the achievements made under the three categories of the scheme that are shishu, kishore and tarun.

## Research Methodology

The data for present study has been collected primarily from secondary sources. Secondary data has been collected from reliable sources such as published journals, articles and government websites. Year wise comparison of the amount of loans sanctioned by different agencies has been made in order to assess their performance and the trend has been depicted by way of charts and graphs.

## Findings & Analysis

### Agency wise performance of MUDRA loans

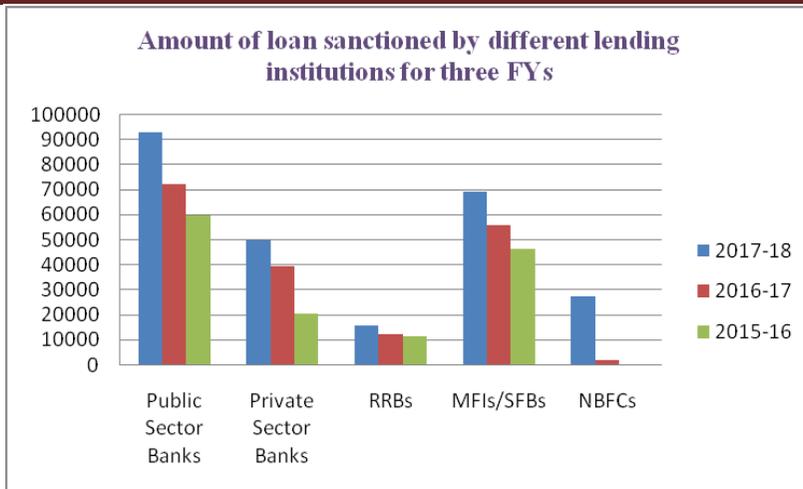
MUDRA has enrolled institutions such as commercial banks both public sector as well as private sector banks, regional rural banks (RRBs), state/urban cooperative banks, micro-finance institutions (MFIs) and non-banking financial companies (NBFCs) as partners for refinancing against their lending to micro entrepreneurs. Since the inception of the scheme each institution that is a part of the scheme has participated actively however, the rate of growth in terms of opening of new accounts, loan sanction as well as loan disbursement varies amongst the institutions. In the present study, we have considered the amount of loan sanctioned by each institution under the scheme in order to assess their performance since the inception of the scheme. It has been observed that the highest share of the amount of loans sanctioned to micro enterprises is of the public sector banks each year since 2015. That is, amongst all the agencies public sector banks have sanctioned the highest amount of loans under the scheme. Also, it is found that the largest growth in terms of loan sanctioned since 2015 till 2018 has been by the private sector banks. Even though they might have lesser share in the total amount of loan sanctioned but the rate of growth of the loans sanctioned by these banks has been the highest. The following table indicates the amount of loan sanctioned by different agencies for three different financial years.

Table: Amount of loan sanctioned during three financial years by different lending institutions (Amount in Rs Crores)

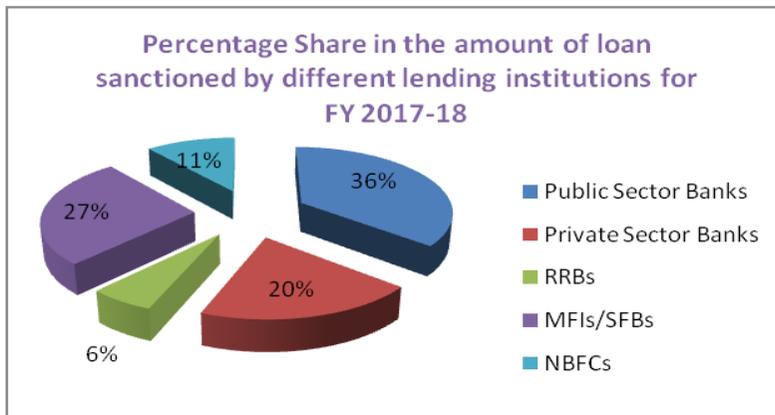
Type of Agencies	Sanction (2017-18)	Sanction (2016-17)	Sanction (2015-16)	Growth since inception (%)
Public Sector Banks	92,492.68 (36%)	71,953.67 (40%)	59,674.28 (43%)	55%
Private Sector Banks	49,545.11 (20%)	39,042.60 (21%)	20,445.74 (15%)	142.32%
RRBs	15,454.51 (6%)	12,009.52 (7%)	11,324.47 (8%)	36%
MFIs/SFBs <sup>^</sup>	69,166.64 (27%)	55,657.01 (31%)	46,004.78 (34%)	50%
NBFCs	27,018.16 (11%)	1,865.74 (1%)	*	134.81%
Total	2,53,677.10 (100%)	1,80,528.54 (100%)	1,37,449.27 (100%)	84.56%

Source: [www.mudra.org](http://www.mudra.org)

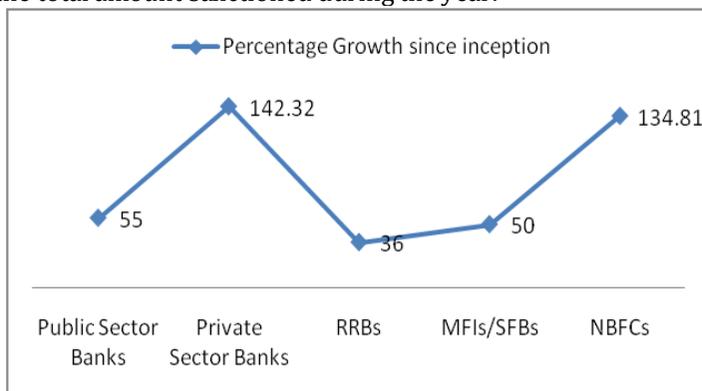
The figures in the above table shows that there has been a rise in the amount sanctioned by public sector banks from Rs 59,674 crores in the FY 2015-16 to Rs 92,493 crores in the FY 2017-18 showing a 55% growth for them. MFIs and SFBs including the non-NBFC-MFIs have witnessed an increase in the amount of loan sanctioned by Rs 23,162 crores over a period of 3 years. The amount sanctioned by private sector banks have increased drastically from Rs 20,445.74 crores in FY 2015-16 to Rs 39,042 crores in FY 2016-17 indicating a growth of 91% and an amount of Rs 49,545 crores in FY 2017-18 indicating a growth of 27% since 2016-17. SFBs witnessed a growth of 183% in between FY 2016-17 and FY 2017-18. Below given chart is a graphical presentation of the amount of loan sanctioned by different institutions for three consecutive financial years starting from 2015-16.



Year wise analysis of the amount of loan sanctioned by different lending institutions reveals that there has been a gradual rise in the amount of loan sanctioned by each of the institutions over a period of three years however, the rate of growth and the total share of each of these institutions in the amount sanctioned under the scheme varies. The share of each of the institutions for the FY 2017-18 has been depicted through the following pie chart.



The percentage share of the amount of loan sanctioned by different lending institutions is highest for public sector banks in each of the three financial years. During FY 2015-16, the share in the total amount sanctioned by public sector banks including SBI and its associates is 43% whereas, in FY 2017-18, the share reduced to 36% but was still higher than any other institution. The next highest share of the amount of loan sanctioned was that of micro finance institutions (MFIs) which play a very crucial role in granting credit to micro enterprises under this scheme. During FY 2017-18 the share of MFIs was 27% followed by private banks sharing 20% of the total amount sanctioned during the year.



The achievement data indicates 85% growth since the inception of the scheme in the overall performance of the programme by all the agencies. The growth in private sector banks has increased significantly by 142% since the FY 2015-16. Also the growth of NBFCs has been very well with 135% in terms of the amount sanctioned in a period of one year that is since FY 2016-17. On the other hand, other institutions have also witnessed a decent growth in the amount sanctioned by them over a period of three years.

### Conclusion

Since the inception of the scheme in 2015, the scheme has been successfully functioning and fulfilling its goal of covering the micro entrepreneurs within the ambit of formal credit system of the nation. Every year a large number of micro enterprises are being registered under the PMMY with the objective of setting up a new business or expanding their business. The programme has benefitted 12.27 crore loan accounts with a sanction of nearly Rs 5.71 lakhcrore in the last three years. All the agencies working as partners being refinanced for giving credit to small borrowers have witnessed a decent growth in operations of its business. The performance of almost all the agencies has been at par considering the target achievement of their loan sanction amount. However, when compared to each other where public sector banks have the largest share in the total amount sanctioned, private banks have shown the highest growth in the amount sanctioned in the period of three years. MFIs, SFBs and NBFCs have performed very well considering their targets for achievement and the actual amount sanctioned. Also, they have witnessed a decent growth in the loan sanction amount over a period of three years. Considering the initial stages in which the scheme lies, it has performed significantly well owing to the dedication shown by different lending institutions working under the scheme. However, the role of RRBs could be improved in order to achieve even better results.

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