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A Study on Role of Mudra Yojana on Leading to MSME's (MUDRA)

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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,

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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.



Among all the Top 10 states' performance as identified in the above chart, the highest year-one 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.

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	99,234.96	92,492.68	71,953.67
Regional Rural Banks	18,046.89	15,454.51	12,009.52
Private Sector Bank (Including Foreign Banks)	64,037.25	49,545.11	39,042.60
Small Finance Banks	29,794.37	19,022.89	6,729.01
NBFC & Non-NBFC-MFIs	63,470.97	50,143.75	45,338.22
Non-Banking Financial Companies	47,136.75	27,018.16	5,455.53
Total	3,21,722.79	3,21,722.79	1,80,528.55

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)
2018-19	5,98,70,318	3,21,722.79	3,11,811.38
2017-18	4,81,30,593	2,53,677.10	2,46,347.20
2016-17	3,97,01,047	1,80,528.54	1,75,312.13

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.



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 (35.00%)	25,331.68 (40.00%)	18,052.68
Karnataka	29,995.35 (30.00%)	23,009.73 (28.00%)	18,002.55
West Bengal	26,462.13 (29.00%)	20,552.19 (31.00%)	15,695.01
Maharashtra	26,438.94 (16.00%)	22,751.40 (32.00%)	17,286.66
Uttar Pradesh	26,190.58 (19.00%)	22,077.89 (44.00%)	15,282.61
Bihar	24,405.99 (53.00%)	15,919.40 (31.00%)	12,190.60
Rajasthan	17,506.39 (26.00%)	13,862.55 (54.00%)	9,024.71
Madhya Pradesh	17,407.92 (17.00%)	14,886.15 (42.00%)	10,506.45
Odisha	15,770.28 (36.00%)	11,558.91 (46.00%)	7,891.34
Gujarat	13,216.78 (16.00%)	11,386.52 (46.00%)	7,781.94