

“IMPACT OF MUDRA LOANS ON SMALL ENTERPRISE”

SANJEEVAGOUDA M GOUDAR

II Mcom ,P G Centre, Rudragouda Patil Government First Grade College Bilagi-587116

NATARAJA

Assistant Professor, Department of Commerce, Rudragouda Patil Government First Grade College Bilagi-587116

Abstract:

About 95% of the industrial units in the country consists of small industries and 40% of the total industrial output is contributed by these industries. 45% of the total exports (direct and indirect) from India are contributed by them. It is confirmed that 65-75% of the innovation in India come from the industry of small business.

The inadequacy of funds to funnel in the operations of a small business prove to be a major hindrance to the development of the small business. Small businesses lack the creditworthiness needed in the capital market. Neither they are having their own resources now are others prepared to lend them. Entrepreneurs are forced to borrow money from money lenders at exorbitant rate of interest and this upsets all their calculations.

The banks and industrial investors need a collateral security, due to most of the small businesses being operated in the rural and semi-urban area, these businesses lack the collateral security to get finance for their business.

The MUDRA banks were set up under the Pradhan Mantri MUDRA Yojana scheme. It will provide its services to small entrepreneurs outside the service area of regular banks. Mudra scheme, micro business units that are struggling for financial support to start up, establish themselves or expand their business, will receive loans as well as skill and technical support.

The research study aims at understanding the operational effectiveness of the MUDRA scheme by supporting and promoting partner institutions and creating an ecosystem of growth for micro enterprises sector.

Key Words: MUDRA, Small Business. Micro enterprise

Introduction:

Money lenders have harassed Indian businessmen for years in the past where at times the businessmen have had to sell off their gold or land just to pay back the interest, not even the seed capital. Banks had not reached the remote areas of our country, nor were the people educated enough to know where to lend from. So while some small businesses have flourished and done well, some are still under the burden of paying back their loan, not giving them a chance to grow. Many of these 'own account enterprises' are owned by people belonging to Scheduled Caste, Scheduled Tribe or Other Backward Classes. However, only 4% of such units get institutional finance. Providing access to institutional finance to such micro/small business units would turn them into a strong instrument of GDP growth and also employment.

That is when the government introduced the Micro Units Development and Refinance Agency or MUDRA to help and sustain the small businesses of our nation.

The primary product of MUDRA will be refinancing for lending to micro businesses/units under the aegis of the Pradhan Mantri MUDRA Yojana.

MUDRA Bank has been established by a government with a Refinance corpus of Rs.20, 000 crore, and credit guarantee corpus of Rs.3000 crore.

The products would be covered under three categories that are as follows:

- Shishu: covering loans up to Rs.50,000/-
- Kishor: covering loans above Rs. 50,000/- and up to Rs. 5Lakh
- Tarun: covering loans above Rs. 5 Lakh and up to Rs. 10 Lakh Availability of the loan

Mudra loan under Pradhan Mantri MUDRA Yojana (PMMY) is available at all bank branches across the country. Mudra loan is also issued by NBFCs / MFIs who are engaged in financing for micro enterprises in small business activities.

Statement of the Problem :

Micro, Small and Medium Enterprises are struggling to expand their business due to financial deficit. To encourage them financially and also to mobilise their savings, a scheme called MUDRA was introduced mainly for the purpose of lending loans to micro and small enterprises. By this study an attempt was made to analyse the performance of MUDRA.

Objectives of the study :

- To evaluate the role of Mudra yojana in India
- To Analyse the performance of Mudra Yojana.

Methodology :

The data is collected from the secondary sources like newspapers, magazines various websites including website of MUDRA Yojana. Annual Report of MUDRA state wise performances for presentation in tables & its analysis.

Statistical tools and techniques:

The collected data has been analyzed and interpreted by means of graphic presentation. The study brings out the performance of MUDRA Yojana and also reveals the effort of Government to make it more effective.

Scope of the study:

The study conducted in India based on the information available in the Mudra website. The data was collected from the day it came into existence until March 2018. Both the banking and non- banking sectors were selected on the basis of the total number of loans disbursed for entrepreneurial development under the MUDRA Scheme.

Findings of the study:

The government launched a Micro Units Development and Refinance Agency (MUDRA) Bank, responsible for regulating and refinancing all Micro-finance Institutions (MFI) which provide loans to micro/small business entities engaged in manufacturing, trading and services activities.

The data collected through portal has been analyzed and some of the salient features are as under:

Table No.1 Showing Overall Performance of MUDRA Yojana during the year 2017-18

(Amount in crores)

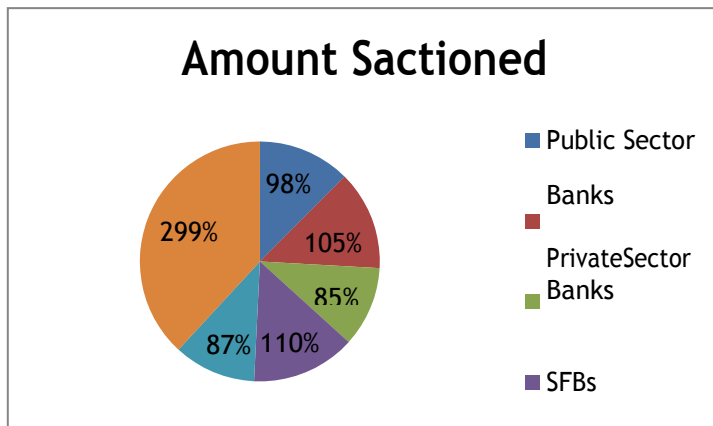
CATEAGORY	SHISHU		KISHOR		TARUN		TOTAL	
	No Of A/Cs	Amount sanctioned	No Of A/Cs	Amount sanctioned	No Of A/Cs	Amount sanctioned	No Of A/Cs	Amount sanctioned
General	1,79,11,238	47,171.25	32,83,034	66,477.31	7,12,207	53,976.53	2,19,06,479 (45.51%)	167,625.09
SC	81,86,001	19,462.62	3,07,214	3,976.79	12,946	939	85,06,161 (17.67%)	24,378.41
ST	24,18,131	5,616.06	1,12,795	1,794.64	8,381	589.71	25,39,307 (5.28%)	8,000.41
OBC	1,41,54,425	33,751.67	9,50,831	14,483.42	73,390	5,438.1	1,51,78,646 (31.54%)	53,673.18
tal of the above	4,26,69,795	1,06,001.6	46,53,874	46,53,874	86,732.16	8,06,924	4,81,30,593	2,53,677.1
Woman	3,21,44,132	8,03,71.59	13,35,192	16,586.84	78,914	6,295.7	3,35,58,238 (69.72%)	1,03,254.12
New Loan Accounts	1,00,47,673	22,622.86	21,05,072	44,042.84	4,06,582	30,783.01	1,25,59,327 (26.09%)	97,448.7
Minority	46,97,008	12,319.63	5,20,750	7,826.62	52,337	3,945.53	52,70,095 (10.95%)	24,091.77

(Source:PMMY Report2017-18)

The overall performance of the Scheme shows that the target has been achieved during the year. As against the target of 2,44,000 crore, the Banks and MFIs together have disbursed **2,53,677** crore, thereby achieving 104%.

The achievement data indicate a 41% growth over previous year in the overall performance of the programme by all the institutions. While the growth in respect of Public Sector Banks is at 29%, the same increased significantly by 27% for Private sector Banks. The growth of RRBs was at 29%.

Graph No.1 Showing Performance of banks in terms of disbursement of loan:



(Source: Secondary data)

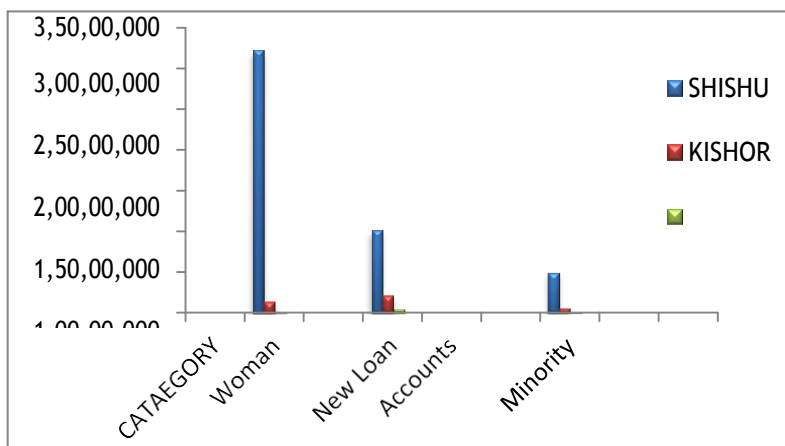
State Bank of India with ` 28,791 crore sanction for 14.10 lakh accounts topped the table. SBI was followed by Canara Bank and Punjab National Bank with ` 7,665 crore sanction and ` 6,838 crore sanction respectively.

During the FY 2016-17, the target set was at ` 1.80 lakh crore and the same was achieved by sanctioning more than ` 1.80 lakh crore loan by banks, MFIs, SFBs and NBFCs. More than `

2.53 lakh crore has been sanctioned in FY 2017-18 – the 3rd year of operations, as against target of 2.44 lakh crore.

MUDRA as a support institution extended refinance to the lending institutions and monitored the programme closely with the help of a dedicated portal developed for the purpose.

Graph No.2 Showing Financing of Women, New loan A/Cs and minority.



(Source: Secondary data)

To encourage Women entrepreneurs was one of the main aim of PMMY. 40% of loan amount sanctioned was the share of women borrower in total loan amount sanctioned.

The share of women in the Shishu category is at 75%, in terms of number of accounts under Shishu, and it formed 95.78% of the loan accounts of women borrowers.

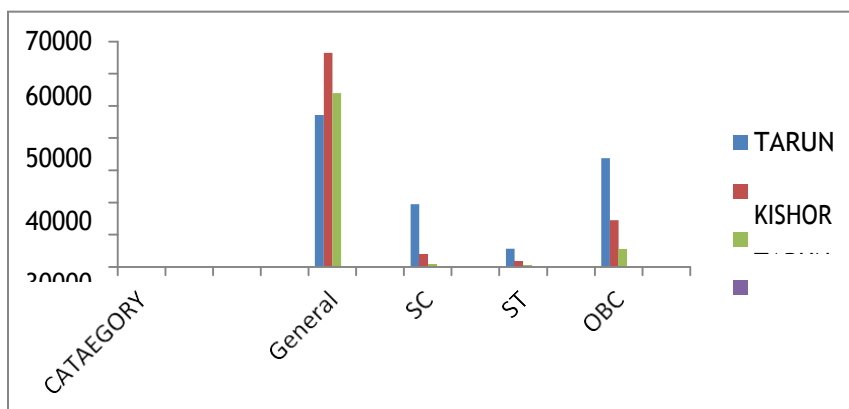
This is mainly due to the high share of MFIs in Shishu loans, where women are the major beneficiaries of micro finance loan.

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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 number of new loan accounts during FY 2017-18 was at 26% of the total loan accounts and 38% in terms of the sanctioned amount. There were nearly 1.25 crore new loan accounts sanctioned under PMMY during the year, which was more than 1 crore accounts sanctioned during the previous year.

Graph No.3 Showing the Share of SC/ST/OBC.



(Source: Secondary data)

The participation of the weaker sections (SC/ST/OBCs) of the society in the PMMY programme was at 55%, in terms of loan accounts, and 34% in terms of loan amount sanctioned. The share of SC, ST and OBC categories were 18%, 5% and 32%, respectively, in terms of the loan accounts sanctioned. Here again, the major portion of their share belongs to Shishucategory.

Disbursement through MUDRA card

MUDRA card, is a Rupay debit card issued against working capital limits under PMMY. About 5.17lakh cards for ` 1,477 crore issued during the first year. Further, 1.84lakh cards for ` 1,564.61 crore issued during FY 2017. DuringFY 2017-18, 1.52 lakh cards were issued for an amount of 1,481.43 crore. Since the cards issued during a year are applicable in the next year also, the number of cards reported seems to relate to only new cards issued during the year, which is in addition to the existing cards, thereby taking the total number of MUDRA Card in use to over 8 Lakh cards.

Table No.2 Showing State-wise Performance

(Amount in crore)

State	Target	Sanctioned
Tamil Nadu	23,083.75	25,331.68
Karnataka	22,049.76	23,009.73
Maharashtra	22,242.92	22,751.40
Uttar Pradesh	21,592.85	22,077.89
West Bengal	18,871.92	20,552.19
Bihar	17,190.56	15,919.40
Madhya Pradesh	14,672.07	14,886.15
Rajasthan	11,815.11	13,862.55
Gujarat	11,505.73	11,386.52
Odisha	11,290.08	11,558.91

(Source: PMMY Report 2017-18)

The bank-wise/agency-wise targets were further distributed state-wise by the respective banks based on their network and potential to lend. The state level performance was monitored by SLBC. Of all the States, Tamilnadu topped with ` 25,331.68 crore sanction, closely followed by Karnataka with 23,009.73 crore and Maharashtra stood at third with ` 22,751.40 crore.

Following Top ten states, have contributed 71% of total sanctions in in FY 2017-18 .

Among the states, Rajasthan, Gujarat and Odisha have shown significant growth of more than 45% in FY 2017-18.

Table No.3 Showing Category-wise analysis of PMMY scheme

(Data expressed inpercentage)

Category	Loan of Accounts 2017-18	Sanctioned Amount 2017-18	Sanctioned Amount 2016-17	% of Change
Shishu	88.65%	41.78%	41.13%	24.56
Kishor	9.67%	34.19%	29.66%	61.97
Tarun	1.68%	24.02%	23.2%	45.5

(Source:PMMY Report2017-18)

Among the three categories, Shishu loan had the highest share of 88.65% in terms of number of accounts and which was followed by Kishor and Tarun. The share of Kishor loan accounts increased to 9.67% in FY 2017-18 compared to 6.71% in FY 2016- 17. Share of Tarun loan also increased slightly. 40% of loan amount sanctioned was the share of women borrowers in total loan amount sanctioned.

Conclusion

Thus, Pradhan Mantri Mudra Yojana (PMMY) continues to be a major initiative of the Government of India providing credit to millions of unfunded micro units in the country. The programme has benefited 12.27 crore loan accounts with a sanction of nearly ` 5.71 lakh crore in the last three years. It has also resulted in benefiting about 3.50 crore new loan accounts/ entrepreneurs, thereby providing employment to a large number of people across the country.

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