

MUDRA INITIATIVES FOR FUNDING TO MSME : A BIG STEP FOR PUSHING FINANCIAL INCLUSION IN INDIA

*Amit Basak**

Abstract: Our country is going through a big crisis-one side we have corona virus shock and other side is economic issue that has hit the country very adversely. India's unemployment rate hit 26% and 14 crore people lost employment as per CMIE data released recently. This is the single largest blow to the economy arising due to prolonged lockdown in the wake of COVID-19 outbreak. At this crucial moment we should all raise to the occasion and give our shoulders to make our country self-reliant. All we have to wake up and support our local manufacturer, local trader and local farmers, so that we have enough for everybody. All we stand up and think in an entrepreneurship spirit. It is quite pertinent to mention that Micro, Small And Medium Enterprise (MSME) sector contributes 31.8% of Gross Value Added, 48.10% of exports and provided employment to 11.10 crore people. Against this background, if any sector can help mitigate it to a great extent, it is MSME sector. The government in 2015, came out with the Micro Units Developments and Refinance Agency (MUDRA), a wholly-owned subsidiary of SIDBI to refinance Pradhan Mantri Mudra Yojana (PMMY) or the popularly known MUDRA loans, extended by the banks, NBFCs, and MFIs. The main objective of this scheme is to 'fund the unfunded'. In the present study an attempt has been made to focus on the concept of Pradhan Mantri Mudra Yojana (PMMY) and MUDRA Bank in the light of financial inclusion and also to evaluate the performance of PMMY. The paper is divided into various sections. In section I, II and III backdrop, objectives and methodology have been serialized. Section IV contains the details of the scheme. Section V and VI highlight the performance and progress of the scheme. Finally, concluding observation has been drawn in section VII.

Keywords : Financial Inclusion, PMMY, MUDRA, MSME, SIDBI, CORONA, COVID 19

Introduction

Our country is going through a big crisis-one side we have corona virus shock and other side is economic issue that has hit the country very adversely. India's unemployment rate hit 26% and 14 crore people lost employment as per CMIE data

released recently. This is the single largest blow to the economy arising due to prolonged lockdown in the wake of COVID-19 outbreak. At this crucial moment we should all raise to the occasion and give our shoulders to make

**Associate Professor in Commerce, Susil Kar College, South 24 Parganas. Email: amit.basak2008@gmail.com*

our country self-reliant. All we have to wake up and support our local manufacturer, local trader and local farmers, so that we have enough for everybody. All we stand up and think in an entrepreneurship spirit. It is quite pertinent to mention that Micro, Small And Medium Enterprise (MSME) sector contributes 31.8% of Gross Value Added (GVA), 48.10% of exports and provided employment to 11.10 crore people. MSMEs are small units with original investment in plant and machinery at Rs 10 crore at the upper end, with sub-limits for small and micro units at Rs 5 crore and Rs 25 lakh respectively. Currently almost 67 million MSMEs are operating in the non-agricultural sector in India, both unorganised and organised together. Nowhere in the world is there such a large number of enterprises. Of these 96.7% are micro or unorganised and likely employ less than 10 workers. Against this background, if any sector can help mitigate it to a great extent, it is Micro, Small and Medium Enterprises (MSME) sector. The government in 2015, came out with the Micro Units Developments and Refinance Agency (MUDRA), a wholly-owned subsidiary of SIDBI to refinance Pradhan Mantri Mudra Yojana (PMMY) or the popularly known MUDRA loans, extended by the banks, NBFCs, and MFIs. These loans cater to shopkeepers, fruit and vegetable vendors, truck operators, repair shops, artisans, food processors, small manufacturing and service units, etc. To build a resilient Indian economy and to improve its export competitiveness, credit flow to the MSME

sector has to improve substantially. In this scenario, providing funding support to these units becomes very important as far their growth and employment creation is concerned. MUDRA Yojana are meant to support these enterprises and provide the required funding support to these units as a tool of financial inclusion initiatives.

In the present study an attempt has been made to focus on the concept of Pradhan Mantri Mudra Yojana (PMMY) and MUDRA Bank in the light of financial inclusion and also to evaluate the performance of PMMY. The paper is divided into various sections. In section I, II and III backdrop, objectives and methodology have been serialized. Section IV contains the details of the scheme. Section V and VI highlight the performance and progress of the scheme. Finally, concluding observation has been drawn in section VII.

Objectives of the Study

- (i) To focus on the concept of Pradhan Mantri Mudra Yojana (PMMY) and MUDRA Bank in the light of financial inclusion.
- (ii) To evaluate the progress of PMMY and its impact on SMMEs.

Data and Methodology

The proposed study is based on secondary data which was collected through journals, articles, research papers and reports available at official website of MUDRA. The data collected are analyzed with the help of statistical tools like ratio, percentages, etc.

Pradhan Mantri Mudra Yojana(PMMY)

Indian jobs are mostly to be found in the informal sector. It is true that the micro, small and medium enterprises (MSMEs) of this sector are the backbone of the Indian economy, employing over 11 crore people. MSME contributes around 8% to GDP of our country. Engaged in manufacturing, processing, trade and services, these MSME units are largely proprietary or ownership businesses. There are millions of small and micro units existing outside the formal banking system who need funds. These are unable to grow due to the lack of finance or are relying on informal channels of funding like private moneylenders often at high-interest rates. In an attempt to bring such enterprises into the formal financial system and extending affordable credit to them, PMMY was announced by the Hon'ble Prime Minister Shri Narendra Modi on 8th April, 2015 along with the announcing of MUDRA Bank. In this setup, MUDRA attempts to redress the problems faced by MSMEs. MUDRA seeks to provide income-generating opportunities to those proverbially at the bottom of the pyramid. Its aim is not only the funding the unfunded but also aims to increase the funding gap to micro enterprises and help the existing micro units enhance their activities. MUDRA is a new institution set up by Government of India as a wholly owned subsidiary Small Industries Development Bank of India (SIDBI) to provide funding for the development and refinancing activities of micro units. The main objective of this scheme is to 'fund the unfunded'. It provides refinance support to the banks or all MFIs for

granting to micro enterprises having loan necessity up to 10 lakhs. MUDRA Bank is not a full-fledged bank but it is a refinancing agency. It is a partner with banks, Micro Financial Institutions and other lending institutions. The authorized capital of MUDRA is 1000 crores and paid up capital is 750 crore, subscribed by SIDBI.

Under the umbrella of Pradhan Mantri MUDRA Yojana (PMMY), MUDRA is offering three unique products as per the need and growth of the micro-enterprise. These schemes cover loan amounts as below:

- Shishu: covering loans up to Rs. 50,000
- Kishore: covering loans above Rs. 50,000 and up to Rs. 5,00,000
- Tarun: covering loans above Rs. 5,00,000 and up to Rs. 10,00,000

Progress of MUDRA Bank Yojana

The scheme has since completed four years. During these 4 years, a cumulative amount of Rs. 8.93 lakh crore has been sanctioned under the programme, benefiting 18.25 crore loan accounts. During the first year, an amount of Rs. 1.22 lakh crore was set as the target under PMMY, against which an amount of Rs. 1,37,449 lakh crore was sanctioned by Banks and MFIs, thereby achieving the target comfortably. During 2016-17 target was set at Rs. 1.80 lakh crore and the same was achieved by sanctioning more than Rs. 1.80 lakh crore loan by banks, MFIs, SFBs and NBFCs. On the other hand, during 2017-18 Rs. 2, 53,677 lakh crore has been sanctioned, as against target of

Rs. 2.44 lakh crore. During 2018-19 an amount of Rs.3 lakh crore was set as the target under PMMY, against which an amount of Rs.32,17,233 lakh crore was sanctioned by Banks and MFIs, thereby steadily achieving the target. Total number of PMMY loans sanctioned 5,98,70,318 in 2018-19, which stood at

3,48,80,924 in 2015-16, which registered compound annual growth (CAGR) of 19.73%. From Table 1, here it is clear that more than 134% have been achieved in terms of loan sanctioned over the period of 4 years of the programme, whereas CAGR stood at 32.77%.

Table I : PMMY Progress (Rs. in crores)

Year	2015-16	2016-17	2017-18	2018-19
No of PMMY Loan sanctioned CAGR(%)	34880924	39701047	48130593	59870318 (19.73%)
Loan sanctioned(Rs) CAGR(%)	137449.27	180528.54	253677.1	321722.79 (32.77%)
Loan disbursed(Rs) CAGR(%)	132954.73	180311.15	246437.4	311811.38 (32.86%)

Further, it is being observed that the target set for the year 2018-19, under PMMY was at Rs.3,00,002 lakh crore, which was initially distributed to the banks and MFIs, who in turn were distributed further into State-wise and branch-wise targets. This target was achieved by sanctioning Rs. 3,21,722.79 lakh crore loan (i.e. 107% of target) by banks, MFIs, SFBs and NBFCs. In the context of disbursement of loan, it revealed that it had gone up from Rs.1,32,954.27 crore in 2015-16 to Rs.3,11,811.38 crore in 2018-19, thus recorded a compounded annual growth of 32.86% every year.

The agency wise performance against

their overall target is disclosed in Table II, which indicates 26.82% growth in the overall performance of the programme by all the institutions. Public Sector Banks registered a significant growth of 7.3%, while the growth in respect of SFBs remained highest at a margin of 56.4%. During the year, ten SFBs sanctioned a total amount of Rs. 29,794.37 crore to 77.22 lakh loan accounts. Ujjivan Small Finance Bank is the top Institution among SFBs with a sanction amount of Rs. 6,567 crore to 19.45 lakh borrowers. Among the Public Sector Banks, State Bank of India with Rs.33,825.92 crore for 27.37 lakh accounts topped the table.

Table II: Agency-Wise Performance (Rs in crore)

Agency	2018-19		Target Achieved (%)	2017-18	2016-17	2015-16	CAGR	Growth (2018-19 over 2017-18)
	Target	Sanction		Sanction	Sanction	Sanction		
Public sector Banks	108690.99	99234.96	91%	92492.68	71,953.67	59,674.28	18.47%	7.30%
Private Sector Banks	57850	64037.25	111%	49545.11	39,042.60	20,445.74	46.31%	29.25%
RRBs	20560	18046.89	88%	15454.51	12,009.52	11,324.47	16.81%	16.78%
SFBs	25000	29754.37	119%.89	19022.89	55,657.01	46,004.78	13.52%	56.41%
NBFCs	32050	47136.75	147%	27018.16	1,865.74			74.46%
NBFC & Non NBFC -MFIs	55850	63470.97	114%	50143.75				26.58%
Total	300002	321722	107%	253677	180,528	1,37,449	32.76%	26.82%

The other major contributors in the public sector banks category are CanaraBank with Rs 10,291 crore and Bank of India with Rs 6,430.74 crore. The Public Sector Bank achieved 91% of its target. The private sector banks also performed very well with a sanction of Rs.64,037.25 crore against the target of Rs 57,850 crore during the year (thereby achieved 111% of target), recording a growth of 29.25%. Bandhan Bank, topped the list

with Rs 20,913.48 crore sanction, which is around 33% of the total sanction by Private Sector Banks. It was followed by IndusInd Bank and ICICI Bank with Rs 12,093.50 crore and Rs. 6,579.41 crore respectively. During 2018-19, the Micro Finance Institutions (MFIs) contributed significantly to PMMY with Rs 63,470.97 crore, extended to 2.48 crore borrowers. The growth of MFIs stood at 26.58%. This sector achieved 114% of its

target. Bharat Financial Inclusion Limited was the leading Microfinance Institution with a sanction amount of Rs 17,052.64 crore to more than 65 lakh loan accounts. A new category of Banks viz. Small Finance Banks (SFBs), emerged during the year, which sanctioned under PMMY amounted to 10,319 crore, extending loans to 29.60 lakh borrowers. The Regional Rural Banks (RRBs) sanctioned Rs 18,046.89 crore against a target of Rs 20,560 crore under PMMY during the year and their share was only about 16.78%. It attained 88% of the target. Among RRBs, three banks viz. Pragathi Krishna Gramin Bank with Rs. 2,432.54 crore and Kerala Gramin Bank with Rs. 2,125.64 crore and Karnataka Vikas Grameen Bank with Rs. 940.78 crore were the major contributors. Non-Banking Financial Companies also emerged as the major contributor to Pradhan Mantri MUDRA Yojana with a total sanction of Rs. 47,136.75 crore against the target of Rs. 32,050 crore (i.e. 147% of target). From the Table it is here exhibited that CAGR

of Public Sector Banks, Private Sector Banks, RRBs and MFIs registered at 18.47%, 46.31%, 16.81% and 13.52% respectively over the 4 years, whereas this sector as a whole attained 32.76% as CAGR.

State-Wise Performance

Total amount disbursed under PMMY in India was Rs. 3,21,722.79 crores as on 31.03.2019. The state level performance was monitored by State Level Bankers Committee (SLBC). Of all the States, Tamil Nadu topped with Rs. 34,260.05 crore sanction, closely followed by Karnataka with Rs. 29,995.35 crore and West Bengal stood at third with Rs. 26,462.13 crore. Among the states Bihar and Odisha have shown significant growth of 53% and 36% respectively in 2018-19. Following Top ten states, which have contributed 76% in terms of total sanctions whose performance along with their comparative position in sanctions during 2018-19 is as under:

Table III: Performance of Top 10 States (2018-19) (Rs in crore)

State	2018-19		2017-18		
	No of Loan Account	Target	Loan Sanction	Loan Sanctioned	Growth(%)
Tamil Nadu	7440662	27751.80	34260.05	25331.68	35
Karnataka	5806936	26453.94	29995.35	23009.73	30
Maharashtra	4385981	26986.30	26438.94	22751.40	16
West Bengal	5856048	23951.95	26462.13	20552.19	19.29
Uttar Pradesh	4975961	25583.02	26190.58	22077.89	19
Bihar	5999640	19100.99	24405.99	15919.40	56.20

State	2018-19		2017-18		
	No of Loan Account	Target	Loan Sanction	Loan Sanctioned	Growth(%)
Madhya Pradesh	3282723	16694.76	17407.92	14886.15	17
Rajasthan	2727579	16530.31	17506.39	13862.55	26
Odisha	4164432	14071.05	15770.28	11558.91	36
Gujrat	1826207	14051.97	13216.78	11386.52	16

Performance of PMMY (loan Category Wise)

The growth recorded was quite significant. It is observed that number of loan sanctioned under the category of Shishu registered highest growth of 34.3%, where as in case of Kishore and Tarun it stood as 20.36% and 23.05% respectively. Total amount of loan sanctioned increased from Rs 1,37,449.27 crore in 2015-16 to Rs. 3,21,722.79 crore in 2018-19 showing an increase of more than 134% during the period. The sanctioned amount under **Shishu** category enhanced from Rs.62,894.96 crore in 2015-16 to Rs.1,42,345.25 crore in 2018-19. It registered a significant increase of 126.3% during the periods of 4 years. The CAGR corresponding to loan under Shishu category stood at 31.29%. It also exhibits 34.3% growth over the preceding year. It is apparent that 3,24,02,004 accounts were sanctioned during 2015-16, which was increased to 5,15,07,438 accounts in 2018-19 under Shishu, thus showed an increase of nearly 59% over the year. It is increasing with a CAGR of 16.07% every year.

Under **Kishore** the number of loan accounts sanctioned were increased from 20,69,331 in 2015-16 to 66,06,009 in 2018-19 showing a compounded annual growth rate of 47.24% every year. The amount of loans sanctioned under Kishore stood at Rs 1,04,386.68 crore in 2018-19, as against Rs .43,052.55 crore in 2015-16. It implies a CAGR of 20.36% every year.

Under **Tarun** sanctioned loan accounts have been gone up from 4,10,003 accounts in 2015-16 to 17,56,871 accounts during in 2018-19, showing a CAGR of 62.42% every year.

The sanctioned amount under this category enhanced from Rs.31,501.76 crore in 2015-16 to Rs.74,990.86 crore in 2018-19. It registered a growth more than 23% over the last year and compounded annual growth rate stood at 33.52%.

It is apparent that out of total loans disbursed, loans under **Shishu** category alone registered CAGR of 31.06%, as the disbursement enhanced from Rs.62,028 crore to Rs.72,291.84 crore during the period under study. The amount of loans disbursed under **Kishore** stood at Rs 99,868 crore in 2018-19, as against

Rs.41,013 crore in 2015-16. It implies a CAGR of 34.47% every year. Under **Tarun** the amount of loan disbursed were increased from 29,854 crore in 2015-16 to 72,291.84 crore in 2018-19, which recorded a CAGR of 34.28% every year. It is apparent that out of disbursement of

total loans, loans under **Tarun** category alone registered an increase of more than 142% during the period. The increasing trend in amount of disbursement throughout the period represents the good performance under Pradhan Mantri Mudra Yojana (PMMY).

Progress under PMMY (category-wise) (Rs. In crore)

Category		2015-16	2016-17	2017-18	2018-19	CAGR (%)
Shishu	No of PMMY Loan sanctioned	32402004	36497813	42669795	51507438	16.07%
	Loan sanctioned(Rs)	62894.26	85100.75	106001.6	142345.25	34.3%
	Loan disbursed(Rs)	62028.02		104228.05	139651.55	31.06%
Kishore	No of PMMY Loan sanctioned	2069331	2663502	4653874	6606009	47.24%
	Loan sanctioned(Rs)	43052.55	53545.14	86732.16	104386.68	20.36%
	Loan disbursed(Rs)	41073.00		83197.09	99868	34.47%
Tarun	No of PMMY Loan sanctioned	410003	539732	806924	1756871	62.42%
	Loan sanctioned(Rs)	31501.76	41882.66	60943.34	74990.86	23.05%
	Loan disbursed(Rs)	29854.00		59012.25	72291.84	34.28%

Conclusion

Due to corona virus outbreak most of the production units are shutdown, MSME

are struggling to pay their workers. No doubt prolonged lockdown due to corona

is a crisis but this crisis has thrown a big opportunity in front of us, because we know that every challenge or adversity carries the need of an opportunity that can be transformed into prosperity. We must utilise this opportunity and uplift our society, which is based on some values, feelings of togetherness. This is the right time to move in the right direction, our youth should take initiative for manufacturing our own product and all we should come forward to support our local economy. The growth of MSMEs will contribute to the development of 'Make in India' initiative. It is very necessary that we create employment out of our own efforts and it is not for someone to come and create employment for us. Launching bank like MUDRA will hugely benefit to small manufacturing units and self-employed individuals in rural and urban areas. MUDRA creates a vision of formalizing the informal and thereby funding the unfunded. MUDRA Bank will not only cater to the financial problems of MSMEs but also give moral support to vast pool of young population to materialize their dreams of becoming an entrepreneur. The PMMY scheme is sure to take our nation forward to the future and make India a more sustainable developed country. It recognizes that due to launch of this scheme financial inclusion has moved towards positive direction and there is a bigger change in the area of micro finance. This is the time to focus on the slogan: "Produce Local, Buy Local and Think Global".

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