

# A STUDY ON PERFORMANCE OF MUDRA BANK IN INDIA

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## **Abstract**

India has emerged as the one of the fastest growing major economy in the world. The Micro Small Medium Enterprises (MSME) sector is one of the most vibrant and dynamic sector, promising high growth potential for the Indian economy. Micro enterprises constitute an important pillar of Indian economy as it accounts for more than 90% of the total number of enterprises, as also 90% of non-agriculture employment. According to the annual report of the Ministry of MSMEs (2017-18), the sector contributes around 29% in India's GDP. To make MSME more successful, the Government of India initiated the Micro Units Development and Refinance Agency Ltd. (MUDRA) in 2015 with the mandate of funding the unfunded micro enterprises. The financial support provided by MUDRA encourages micro enterprises to come forward with creative business plans to the development of economy and the nation as a whole. In this paper an attempt is made to analysis of Pradhan Mantri Mudra Loan Bank Yojana (PMMY). The various parameters taken for the appraisal of the performance of the MUDRA bank. The study is based on secondary data. The data required for the study has been collected from annual reports of the MUDRA bank and various websites.

**KEYWORDS:** PMMY, MFIs, Sanction, NBFCs, RRBs

## **INTRODUCTION**

Finance is one of the most important things to fight poverty and provide opportunities for running a business successfully in a timely manner so that the enterprises accomplish its goals & targets. In order to assist small business and weaker sections (SC/ST/OBCs) of the society, government of India set up new institution Micro Units Development Agency Bank (MUDRA Bank) in 2015. Mudra has been initially formed as a wholly owned subsidiary of Small Industries Development bank of India (SIDBI) with 100% capital being contributed by it. Presently, the authorised capital of MUDRA is 1000 crores and paid up capital is 750 crore, fully subscribed by SIDBI. MUDRA bank has two types of products like refinance through State level institutions, like NBFCs, MFIs, RRBs, Cooperative banks, Nationalised banks, Private banks and other intermediaries for the micro units having loan requirement from 50 thousand to 10 lakhs and support of Micro Finance Institutions (MFIs) for on lending.

MUDRA bank has launched three initiative products to the name of Shishu, Kishore and Tarun to signify the stage of growth and finding needs of the micro-units, start-ups or enterprises. These three types of

Mudra loans depending on the loan amount under Shishu category loan amount sanction up to ₹ 50,000, Kishore category from ₹50,001 to ₹ 5 lakh and Tarun category from ₹ 5,00,001 to 10 lakh. The product initially being launched under MUDRA are sector specific activity specific schemes, such schemes for business activities in land transport, social and personal services food product and textile product services. Loan disbursed under the pradhan mantri mudra yojana (PMMY) have crossed its target of 2.44 lakh crore in the financial year 2017-18.

### OBJECTIVE OF THE STUDY

- To analysis the performance of MUDRA bank during the year 2017-18
- To analyse the growth of country after launching the Pradhan Mantri Mudra Yojna (PMMY).

### METHODOLOGY

The main objective of the study is to examine the role of MUDRA banks in the Micro Enterprises of India. The study is analytical in nature. It is based on secondary data that was collected from annual report of MUDRA report, various books, journals, research articles and internet websites.

### DATA ANALYSIS AND INTERPRETATION

Table 1: Agency- wise performance

(₹ in Crore)

Agency	Target 2017-18	Sanction Amt. 2017-18	Sanction Amt. 2016-17	Growth (%)
Public Sector Banks*	94,495	92492.68 (98%)	71,953.67	29%
Private Sector Banks@	47,150	49,545.11 (105%)	39,042.60	27%
RRBs	18,255	15,454.51 (85%)	12,009.52	29%
SFBs	17,250	19,022.89 (110%)	6,729.01	183%
MFI#	57,800	50,143.75 (87%)	45,338.22	11%
NBFCs	9,050	27,018.16 (299%)	5,455.53	396%
Total	2,44,000	2,53,677.50 (104%)	1,80,528.55	41%

Source: Annual Report of MUDRA 2017-18

Note: the figures in the parenthesis indicate percentage achievement over targets.

\*Including SBI and its associates, @ including foreign banks, # including NBFC- MFIs

It has been found from table 1 that during the financial year 2017-18 an amount of ₹ 2.44 lakh crore was set as the target under PMMY, against which an amount 2.53 lakh crore was sanctioned by the banks and others financial institutions, thereby achieving the target comfortably. All the financial institutions play a significant role in achieving the target, but private sector banks, SFBs and NBFCs sanctioned amount is more than its targets amount as clearly shown in the table that they have achieve 105%, 110% and 299% respectively as compared to its target amount, however other financial agencies like public sector banks, RRBs and MFIs have achieve 98%, 85% and 87% respectively which is slightly less than its target

amount, but overall financial agencies achieve 104% as compared to its target. Overall growth percentage is 41% as compared to previous year (2016-17). NBFCs growth percentage is 396% as compared to previous year which is the highest in all financial agencies. 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%.

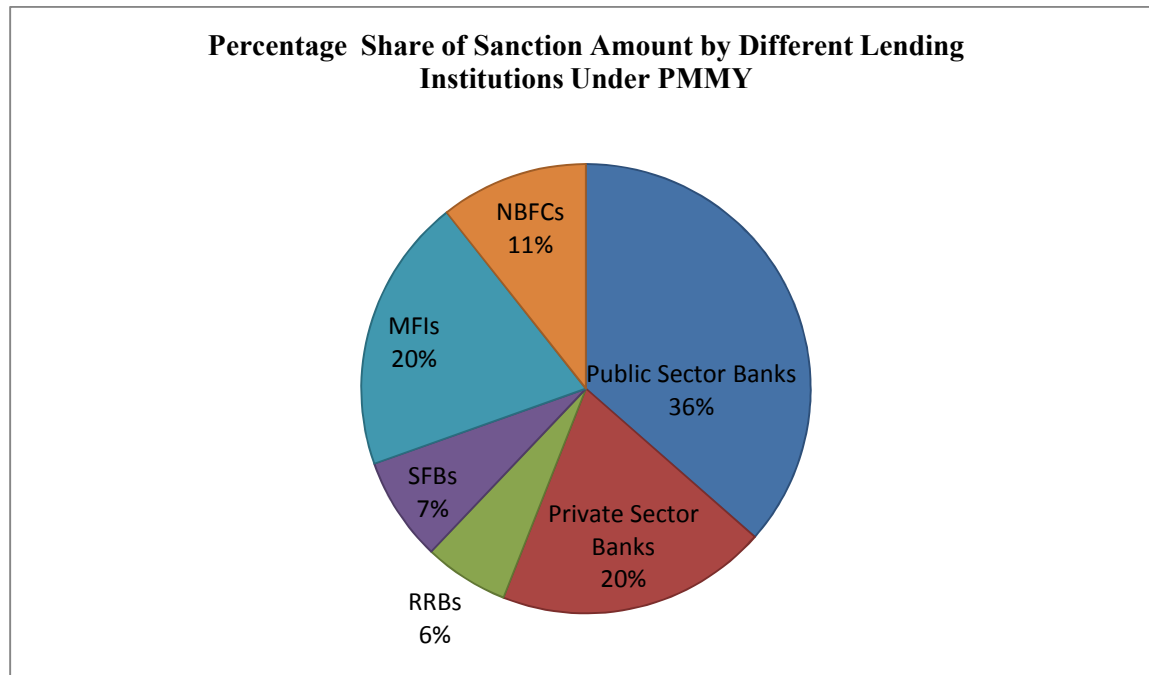


Figure 1

Figure 1 shows percentage share of sanction amount by different lending institutions in the financial year 2017-18. The percentage of public sector banks is highest i.e. 92492.68 (36%) in the financial year 2017-18 out of total 253677.50, percentage of private sector banks and MFIs is 20% these financial institutions play major role in lending under PMMY in the financial year 2017-18. While the percentage share of NBFCs, SFBs and RRBs is 11%, 7% and 6% respectively.

Table 2: Performance of Top 10 States

(&amp; in Crore)

Name of the State	Target 2017-18	Sanction Amt. 2017-18	Sanction Amt. 2016-17	Growth (%)
Tamil Nadu	23,083.75	25,331.68	18,052.68	40%
Karnataka	22,049.76	23,009.73	18,002.55	28%
Maharashtra	22,242.92	22,751.40	17,286.66	32%
Uttar Pradesh	21,592.85	22,077.89	15,282.61	44%
West Bengal	18,871.92	20,552.19	15,695.01	31%
Bihar	17,190.56	15,919.40	12,190.60	31%
Madhya Pradesh	14,672.07	14,886.15	10,506.45	42%
Rajasthan	11,815.11	13,862.55	9,024.71	54%
Gujarat	11,505.73	11,386.52	7,781.94	46%
Odisha	11,290.08	11,558.91	7,891.34	46%

Source: Annual Report of MUDRA 2017-18

It has been found from table 2 that Tamilnadu topped with ₹25,331.68 crore sanction, followed by Karnataka with 23,009.73 crore and Maharashtra stood at third with ₹22,751.40 crore. All top ten states have sanctioned more than its target amount except Gujrat state which sanction ₹11,386.52 crore against its target ₹11,505.73 crore. In term of growth percentage as compared to previous year (2016-17) Rajasthan topped with 54%, Gujrat and Odisha stood at second with 46%, among the states, Rjasthan, Gujrat and Odisha have shown significant growth of more than 45% in financial year 2017-18. It has been also found from table 2 that in terms of growth percentage Karnataka is lowest where as in term of sanction amount Karnataka stood at second. These top ten states, have contributed 71% of total sanctions in the financial year 2017-18 rest 29% contributed by others states/UTs.

Table 3: District Wise Performance

(₹ in Crore)

District Names	Financial Year 2017-18		
	No. of Accounts	Sanction Amount (₹ in Crore)	Share of the total accounts sanctioned
Bangalore urban	3,49,316	2,364.97	0.73%
Pune	2,60,677	2,347.64	0.54%
Hyderabad	5,56,560	2,247.66	1.16%
North 24 Parganas	5,17,221	2,025.33	1.07%
Jaipur	1,69,936	1,739.44	0.35%
Ahmedabad	2,34,055	1,710.09	0.49%
Bardhaman	4,11,638	1,681.84	0.86%
Belgaum	2,96,321	1,654.75	0.62%
Kolkata	3,01,494	1,599.94	0.63%
Patna	3,11,119	1,541.26	0.65%
Total	34,08,337	18,912.92	7.08%

Source: Annual Report of MUDRA 2017-18

Table 3 shows that district wise performance under PMMY in India. It has been found from table that Hyderabad district has topped in terms of number of opening accounts (5,56,560) under PMMY, North 24 Parganas district stood at second with 5,17,221 number of accounts. But in term of sanctioned amount the Bangalore urban district has topped with ₹2,364.97 crore in the financial year 2017-18. Hyderabad has also topped in share of the total accounts sanctioned with 1.16% in the financial year 2017-18. These 10 districts formed 7.08% share in the total sanction during the year 2017-18. Better performances of these districts were due to being urban centres with large potentials of small business activities and also there being large number of financial outlets to serve them. Total number of accounts in these districts are 34,08,337 with the sanctioned amounts of ₹ 18,912.92 crore in the financial year 2017-1

Table 4: Region wise distribution

(₹ in Crore)

	No. of Accounts (2017-18)	Sanction Amount (2017-18)	No. of Accounts (2016-17)	Sanction Amount (2016-17)	Growth (%) Sanction Amount
North	84,64,083 (18%)	60,535.36 (24%)	66,67,731 (17%)	41,884.86 (23%)	45%
East	1,27,64,868 (27%)	48,744.33 (19%)	1,28,38,524 (32%)	43,115.35 (24%)	13%

North East	43,95,809 (8%)	18,553.8 (7%)	15,99,339 (4%)	6,650.34 (4%)	179%
South	1,44,64,973 (30%)	76,259.92 (30%)	1,14,30,144 (29%)	52,876.65 (29%)	44%
West	80,40,860 (17%)	49,583.68 (20%)	71,65,309 (18%)	36,001.35 (20%)	38%
Total	4,81,30,593	2,53,677.1	3,97,01,047	1,80,528.54	

Source: Annual Report of MUDRA 2017-18

It has been found from table 4 that number of accounts is highest in the east region (32%) in the financial year 2016-17 but in the next financial year i.e. 2017-18 number of accounts has been decreased from 32% to 27% in the east region, whereas in the south sector number of accounts opened in PMMY has been increased from 29% to 30% in the financial year 2017-18 as compared to financial year 2016-17. In the north east region number of accounts opened under PMMY has been increased from 4% to 8%. Statistics shows that the north east sector has also been given attention. In terms of growth percentage the north east sector has topped with 179% growth.

Table: 5 Category-wise analysis of PMMY scheme

(₹ in Crore)

Category	No. of Loan Accounts (2017-18)	Sanction Amount (2017-18)	Sanction Amount (2016-17)	Change (%)
Shishu	4,26,69,795 (88.65%)	1,06,001.6 (41.78%)	85,100.74 (47.13%)	24.56%
Kishor	46,53,874 (9.67%)	86,732.15 (34.19)	53,545.14 (29.66%)	61.97%
Tarun	8,06,924 (1.68%)	60,943.36 (24.02)	41,882.66 (23.20%)	45.50%
Total	4,81,30,593	2,53,677.11	1,80,528.54	

Source: Annual Report of MUDRA 2017-18

It has been found from table 5 that 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 financial year 2017-18 compared to 6.71% in financial year 2016-17. Share of Tarun loan also increased slightly. In terms of sanction amount, Shishu was 41.78%, followed by Kishore at 34.19 and Tarun at 24.02%. However, Kishore had the highest in terms of percentage change in sanction amount with 61.97% followed by the Tarun (45.50%) and Shishu (24.56%) respectively.

Table: 6 Sub categories of borrowers

(₹ in Crore)

Category	Shishu		Kishor		Tarun		Total	
	No. of Accounts	Amount Sanctioned	No. of Accounts	Amount Sanctioned	No. of Accounts	Amount Sanctioned	No. of Accounts	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
Total of the above	4,26,69,795	1,06,001.6	46,53,874	86,732.16	8,06,924	60,943.34	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: Annual Report of MUDRA 2017-18

Table no. 6 shows the share of sub categories of borrowers like SC, ST, OBC, women and minority under different schemes of PMMY. It has been found from table that the participants of weaker sections (SC/ST/OBCs) of the society in the PMMY programme was at 54.49%, in terms of loan accounts, and 34% in terms of loan amount sanctions. The shares of SC, ST, OBC categories were 17.67%, 5.28% and 31.54% respectively, in terms of loan accounts sanctioned. Here again, the major portion of their share belongs to Shishu category.

The share of women borrowers was 69.72% in terms of number of accounts where as minority constituted 10.95%. 40.70% of loan amount sanctioned was the share of women borrowers in the total loan amount sanctioned. The share of women in the Shishu category is at 75%, in terms of number of accounts under Shushu. The number of new loan accounts during the financial year 2017-18 was at 26.09% 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.

## CONCLUSION AND SUGGESTION

During a short span of time, MUDRA has created a visible impact on terms of financing access for the micro enterprises sector in India. The Indian Microfinance sector has witnessed a phenomenal micro unit's development and refinances agency growth over the past few years and has come to be recognised as a key element of the financial system. More than ₹2.53 lakh crore has been sanctioned in the financial year 2017-18 as against target of ₹ 2.44 lakh crore it shows that MUDRA as a supporting institution extended refinance to lending institutions and monitored the programme closely with the help of a dedicated portal developed for the purpose. MUDRA also extends refinance to eligible commercial banks, RRBs, Small finance banks, Cooperative banks, NBFCs and MFIs engaged in financing micro enterprises requiring loans up to 10 lakh.

For effective monitoring of PMMY, a dedicated portal is being maintained by MUDRA for capturing weekly data on performance of various institutions under PMMY. The portal also captures district level disaggregated data giving number of loan accounts and category-wise borrowers. In the coming years, I envision MUDRA and PMMY being the most successful initiatives furthering a spirit of enterprises and self-reliance and bring prosperity to all the micro enterprises in this country with special focus in youth, women and weaker sections of the society.

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