

Role of Mudra Yojana in Entrepreneurship Development

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Abstract

Pradhan Mantri MUDRA Yojana is a flagship scheme launched by Government of India in 2015 in order to provide financial assistance to the micro and small scale entrepreneurs. The main objective of this paper is to provide a comprehensive evaluation of the MUDRA scheme since its inception. This study is based on secondary data which has been gathered from the website of MUDRA and its annual reports. Through the analysis of data, it is observed that there is a substantial rise in the disbursement amount since its establishment. The result also indicated that there is a just a nominal difference in the amount of loan sanctioned and disbursement. This paper also emphasize on the overview of Pradhan Mantri MUDRA Yojana in different states and overall performance by all the institutions. On the basis of sanctioned amount in the past three financial years, a comparative performance of top 10 states revealed that state Tamil Nadu topped the list closely followed by Karnataka. Further, in terms of percentage change in the disbursement amount from financial year 2017-18 to 2018-19, the results revealed that among these states, Bihar has displayed highest percentage growth followed by Odisha. Furthermore, public sector banks stood topper, in terms of the sanctioned amount for the financial year 2018-19, followed by private sector banks. However, in terms of target achievements, Non-Banking Finance Companies over-achieved their targets with 147% followed by Small Finance Banks with 119%.

Keywords: Entrepreneur, Financial assistance, MUDRA Yojana, Micro credit, PMMY.

Introduction

The entrepreneurial culture is considered symbol of prosperity and progress of a nation. To become an entrepreneur, people take a risk to invest starts and manage their business on their own and work towards making it successful. In other words, an entrepreneur is a person, engaged in an economic activity & handles it. The entrepreneurs are key acts as key agents in transforming a cacuminal economy into a progressive one. In India, most of the entrepreneur runs micro units engaged in manufacturing, processing, trading and services sector. The micro enterprises represent a major portion of Indian economy and stipulate sizable employment after agriculture. It includes small scale manufactures, shopkeepers, street vendors, small travel operators, repair shops, machine operators, small industries, artisans, food

processors etc. These are mostly “own account enterprises” (OAE) and also called as “Non-Corporate Small Business Sector” (NCSBS). It is the biggest unorganized entrepreneurial ecosystems of any country that exists globally which provides livelihood to about 50 crore lives. The impediments in the growth of these NCSBS entrepreneurs is lack of financial assistance as only a less than 15% of bank credit available to them. As majority of these entrepreneur works as unregistered enterprises without maintaining proper books of accounts and do not get covered under tax umbrella therefore, for banks also it is challenging to lend to them. The organized financial institutions are unable to cater the loan requirements of this sector due to various constraints which force these small businesses to borrow funds for their business requirements from personal networks, unauthorized moneylenders. This led them paying huge cost and ultimately to fall in debt and result in to loss of productive labour and spread of unemployment. Hence, in order to create an environment of sustainable financial inclusion and culture of value based entrepreneurship, the government of India, in 2015, launched Pradhan Mantri Mudra Yojna. Providing access to institutional finance to such micro/small business units would turn them into strong instruments of GDP growth and also employment. Mainstreaming these enterprises will not only help in improving the quality of life of these entrepreneurs but will also contribute substantially to job creation in the economy thereby achieving higher GDP growth.

Objectives of the Study

To understand conceptual building block of Pradhan Mantri Mudra Yojana (PMMY).

To understand the trend and progress of Pradhan Mantri Mudra Yojana (PMMY).

To observe variance in among states with regard to beneficiaries, sanction, disbursement and percentage increase in disbursement with effect from implementation of the scheme.

To evaluate the performance of Pradhan Mantri Mudra Yojana institution wise on the basis of loan sanctioned.

Review of Literature

Adwani V.K. (2019) in the study titled “An evaluation of role of commercial banks in implementation of economic welfare programs in India: a case study of Pradhan Mantri Jan Dhan Yojna (PMJDY) and Micro Units Development and Refinance Agency (MUDRA)” evaluated the performance of the commercial banks in financial inclusion. The results of the study revealed that CAGR of beneficiaries is 8.38%, sanctioned amount is 16.56% &

disbursed amount is 16.7%. The study highlighted that financial assistance provided by Commercial banks leads to the rise in savings & investments of India and it also enabled the funds availability to small businesses and entrepreneurs.

Agarwal M. & Diwedi R. (2017) in the research paper named, “Pradhan Mantri Mudra Yojna: A Critical Review,” highlighted the concept of financial inclusion. Its main objective was to distribute the funds to the micro and small enterprises for fulfill the requirement of funds. This paper was based on secondary data in which different types of analysis were done on the basis of state, category and caste performance over different years. Through the analysis, it is concluded that the initiative taken by the government is valuable for all the states and also helps to encourage the women entrepreneurs to start up their business by providing sufficient funds.

Ibrahim P.A. (2018) in the research paper titled, “An Empirical Study on the role of MUDRA YOJANA in financing micro enterprises,” analyzed the performance of MUDRA scheme. The analysis was done by considering the data from the website of MUDRA, periodic journals and magazines etc. For analysis of data, different statistical techniques were applied like frequency, percentage analysis, ANOVA etc. and the result indicated that this scheme shown positive trend in respect of opening no. of accounts and disbursement amount. It also indicated that not only the new entrepreneurs had taken the benefit but, also it seems to be useful for women entrepreneurs. Lastly, it is recommended that government should focus on the quality of credit rather than quantity of credit.

Khadar A & Rahim A. (2018) in the research paper named, “A Study on Roles and Responsibility of the MUDRA Yojana and its Impact Assessment,” examined the beneficiary sectors under MUDRA Yojana. The purpose of this paper was to determine the impact of PMMY. This scheme aims to allocate funds to the non-corporate small business sector. After analyzing the three-year impact, it was found that government funded in a right direction which turns to the well-being of the individuals.

I.Vekatesh & R. Lavanya (2017) highlighted the growth and overall development of the MSME sector. This further focused on the various initiatives by MUDRA which puts positively impact on the progress of the small scale enterprises.

R. Rupa (2017) showed that MUDRA scheme was useful for the state, Tamilnadu. It was also found that as there was a substantial increase in the contribution amount by MFIs leads to increase in the financing of no. of accounts which turns to be useful for the unorganized sector.

Rudrawar M.A. & Uttarwar V.R. (2016) described the transformation of PMMY. This scheme focused on the weaker sections of the society which helps to improve the economic development of the country. In future, MUDRA helps to enhance the level of entrepreneurship and increase in the amount of GDP of the country as well.

Sandanshive V.R. (2019) in the research paper “An Analysis of Financial Performances of MUDRA Yojana” analyzed over last three year's financial performance of MUDRA scheme. The study based on secondary data, presented the performance of the scheme region-wise, state-wise, distt.-wise, agency wise and by using various other parameters with regard to targeted and sanctioned amount. The study concluded that MUDRA scheme have been able to include the “micro-entrepreneurs” in the formal banking system, who were earlier unable to get the credit for their business setup requirements.

Shahid M. & Itrshad M. (2016) conducted a study on the topic, “A Descriptive Study on Pradhan Mantri Mudra Yojna,” described the significance of this scheme for the self-employed persons and SMEs units. This paper focused on the performance of Karnataka state with regard to MUDRA Bank. After analysis, it was observed that this state was performed very well in terms of sanctioning no. of loans and the credit worthiness of the state.

Research Methodology

This study is based on secondary data which has been

gathered from website of MUDRA and its annual reports. For this descriptive study, quantitative and analytical techniques are applied on the secondary or published data. The data has been analyzed by applying descriptive, percentage by using MS Excel 2010, and one way ANOVA by using SPSS 20 (trail version).

Overview of Mudra

The Indian Government set up Micro Units Development & Refinance Agency Ltd (MUDRA) in the year 2015. Presently, MUDRA has worth 1000 crores's authorized capital & 750 crore's paid up capital, which is fully subscribed by SIDBI. The key responsibility of this agency is to develop and refinance micro-enterprises sector by providing support to the its member lending institutions i.e. finance Institutions which are lending collateral free credit to “micro / small business entities engaged in manufacturing, trading and service activities”. The financial support provided by MUDRA to the entrepreneurs by means of partnering with Banks, MFIs and other lending institutions at state/ regional level. Primary objective behind formation of MUDRA is the development of “micro enterprise sector” by providing financial assistance in terms of refinance. It also “monitor the PMMY data by managing the web portal, facilitate offering guarantees for loans granted under PMMY and take up other activities assigned to it from time to time”.

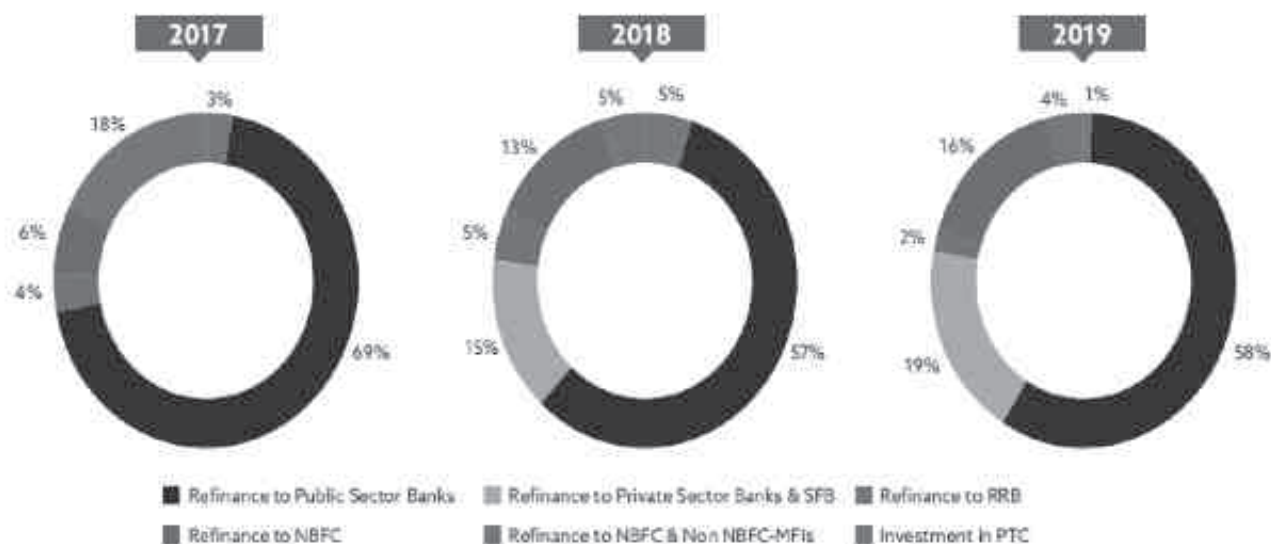
Table 1.1: MUDRA Bank Profile

MUDRA Bank Overview				
Parameters	Description			
Name of the Scheme	Micro Units Development and Refinance Agency/ Pradhan Mantri Mudra Yojana			
Date of Inception	8th April 2015			
Scope of the Scheme	Across India			
Target Population	Non-Corporate Small Business Sector (NCSBS), Micro Enterprise Sector			
Theme	Funding the unfunded			
Credit Range	50,000 to 10 Lakh			
Financial Years	2015-16	2016-17	2017-18	2018-19
No of Accounts	34880924	39701047	48130593	59870318
Amount Sanctioned	137449.27	180528.54	253677.10	321722.79
Amount disbursed	132954.73	175312.13	246437.40	311811.38

Credit Categories			
Loan Type	Loan Range	Interest Rate	Eligibility
Shishu	Covering loan up to 50000	10% to 12%	This scheme aimed to cater the financial needs of proprietor for meeting the initial expenses of business units
Kishor	Covering loan above 50000 & up to 5 lakh	14% to 17%	The scheme aimed to improve running business and to divert the business into profitable ventures
Tarun	Covering loan above 5 lakh & up to 10 lakh	16%	The entrepreneurs who have already started their business and want additional funds for expansion and renovation are eligible for this scheme

Source: Researcher's compilation from <https://www.mudra.org.in/>

Chart 1.2: Analysis of Refinancing by MUDRA for FY 2017-19



Source: MUDRA Annual Report 2018-19

The above pie chart shows the agency-wise refinancing done by MUDRA. For past three years, PSB's provided highest support in terms of refinancing consistently. In year 2017, PSB'S (69%) followed by NBFC & Non NBFC-MFI's (18%). In the year 2018 & 19, Private Sector Banks & SFB's (15% & 19%) are 2nd highest refinanced agencies. The "pass through certificate" remained the least

refinanced for all the three years.

Analysis of Credit Disbursement and Beneficiaries

The study has observed that from its inception, MUDRA has come a long way in providing financial assistance to the small enterprises.

Table 1.2: Loan Sanctioned and Disbursed (FY 2015-16 to 18-19)

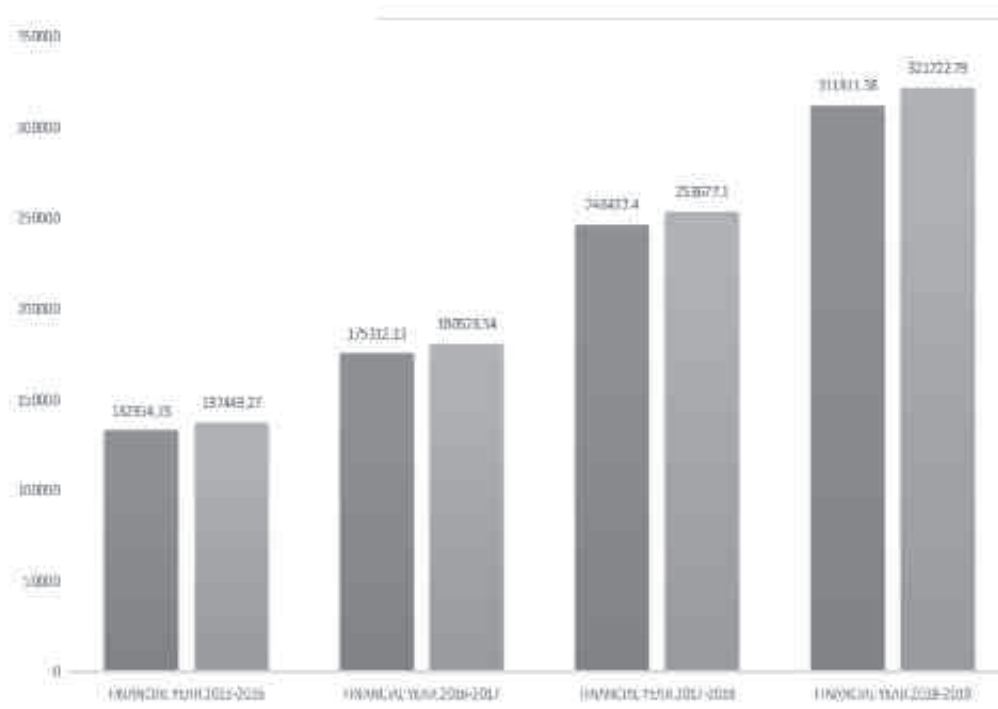
YEARS	Amount Disbursed	% Change	Amount Sanctioned	% Change
FINANCIAL YEAR 2015-2016	132954.73		137449.27	
FINANCIAL YEAR 2016-2017	175312.13	31.86	180528.54	31.34
FINANCIAL YEAR 2017-2018	246437.4	40.57	236777.1	40.52
FINANCIAL YEAR 2018-2019	311811.38	26.53	321722.79	26.82

Source: Researcher's Analysis

The Table No. 1.2 highlights that there is substantial rise in the disbursement amount. In the FINANCIAL YEAR 2015-2016, there was amount of Rs. 132954.73 was disbursed and in the FINANCIAL YEAR 2018-2019 it has grown 134%, and reached to Rs. 311811.38. Further, the study has observed there is 32% increase in disbursement

from FY 2015-16 to FY 2016-17, 41 % increase from FY 2016-17 to 2017-18 and 27% increase in FY 2018-19. Furthermore, similar trend is observed in the sanctioned amount. The study has also observed there is just a nominal difference in the loan sanctioned and disbursed.

Chart 1.3: Loan Sanctioned and Disbursed FY 2015-16 to 18-19



Source: Researcher's Analysis

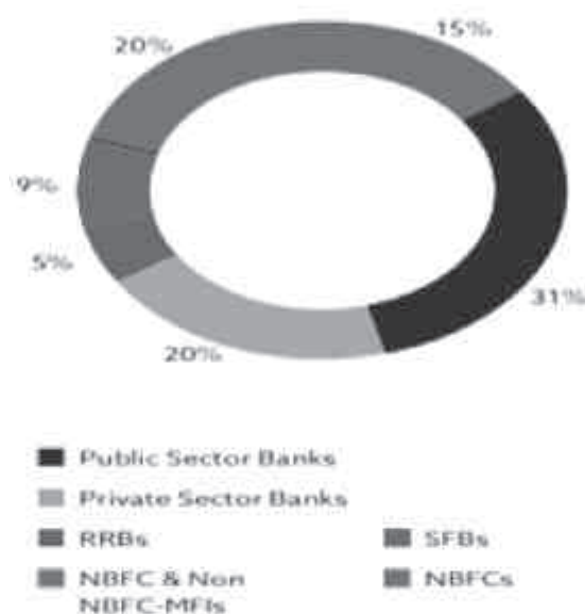
Table 1.3: PMMY Performance Analysis FY 2018-19

Agency	Target (2018-19)	Sanction Amt. (2018-19)	₹ in crore	
			Sanction Amt. (2017-18)	Growth (%)
Public Sector Banks (including SBI)	1,08,690	99,234.96 (91%)	92,492.68	7%
Regional Rural Banks	20,560	18,046.89 (88%)	15,454.51	17%
Private Sector Banks (including Foreign Banks)	57,850	64,037.25 (111%)	49,545.11	29%
Small Finance Banks	25,000	29,794.37 (119%)	19,022.89	57%
NBFC & Non NBFC-MFIs	55,850	63,470.97 (114%)	50,143.75	27%
Non-Banking Finance Companies	32,050	47,136.75 (147%)	27,018.16	74%
Total	3,00,000	3,21,722.79 (107%)	2,53,677.1	27%

Source: MUDRA Annual Report 2018-19

For the FY 2018-19, the target of “3 lakh crore” was set for PMMY for the lender institutions or agencies. The target has been over achieved at the rate of 107% by the lender institutions put together. The NBFC's are the top performer institution by showing 74% growth from last FY and over

achieved the target by 147% followed by small finance bank, which showed a growth of 57% from past FY. Further, in FY 2018-19 public sector banks & RRB's remained the under-performers with 91% and 88% target achievement respectively.

Chart 1.4: Agency-wise sanction amount share: FY 2018-19

Source: MUDRA Annual Report 2018-19

State-wise Credit Analysis

On the basis of MLI's (Member Lending Institutions) network and prospective to lend, the targets being distributed "state-wise" MLI's. Further, inputs with regard to beneficiaries and credit disbursement state-wise have been collated from various annual reports of MUDRA and analyzed by applying One way ANOVA with the help of SPSS 20 (trial version) to find out statistical significant

difference or uniformity among states with regard to number of beneficiaries and credit disbursement. For getting number of beneficiaries, the number of account opened from the FY 2015 -16 till FY 2018-19 have been considered. Similarly, amount disbursed from FY 15-17 to 18-19 have used for finding out statistical difference among states wise disbursement.

Table 1.4: Number of Beneficiaries among States (one way ANOVA Summery results)

ANOVA					
BENEFICIARIES					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.915E+14	35	1.119E+13	40.500	.000
Within Groups	2.983E+13	108	2.762E+11		
Total	4.213E+14	143			

Source: Researcher's Analysis

The Table No. 1.4 show the summery results of one way ANOVA for number of Beneficiaries among all the States with effect from financial year 15-17 to 18-19. The study formulated null hypothesis that number of beneficiaries across all the states during above said period are same. However, the above ANOVA table reveals highest F value

i.e. 40.500 and its corresponding p -value is .000 which confirms null hypothesis is not accepted even at 1% level of significance. Hence, it is statistically establish that number of beneficiaries varies across all the states. In other words, the study has observed difference among states with regard to number of beneficiaries.

Table 1.5: Loan Disbursement among States (one way ANOVA Summery results)

ANOVA					
DISBURSEMENT					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6718384406	35	191953840.2	17.559	.000
Within Groups	1180659282	108	10932030.39		
Total	7899043687	143			

Source: Researcher's Analysis

The Table No. 1.5 show the summery results of one way ANOVA for credit disbursement among all the States with effect from financial year 15-17 to 18-19. To study this, the null hypothesis have been formulated that amount of the loans is uniformly disbursed to all the states during above said period. The results of the study revealed that F value is high i.e. 17.559 and its corresponding p-value is .000. This fails to accept the null hypothesis even at 1% level of significance. This statistically proves that amount of the loan disbursed to all the state varies. In other words, the

credit disbursed to all the states is different.

Further, the above analysis, the performance of the Top Ten States has been analyzed on the basis of Amount Sanctioned from FY 2015-2019. The Table No. 1.4 presents the ranking of top 10 states with regard to Credit Amount Sanctioned and ranked accordingly for the said financial years. The table also highlights the percentage change in the credit sanctioned from financial year 2016-17 to 2018-19 for these states.

Table 1.6: Top Ten States on the Basis of Amount Sanctioned from FY 2016 -17 to 18-19

2018 – 19					2017 – 18				2016 – 17		
State	Rank	₹ in Crore)		Growth Percentage	Rank	₹ in Crore)		Growth Percentage	Rank	₹ in Crore)	
		Targeted	Sanctioned			Targeted	Sanctioned			Targeted	Sanctioned
Tamil Nadu	1	27751.8	34260.05	35%	1	23083.75	25331.68	40%	1	20117.1	18052.68
Karnataka	2	26453.94	29995.35	30%	2	22049.76	23009.73	28%	2	18388.68	18002.55
West Bengal	3	23951.95	26462.13	29%	4	22242.92	22751.4	32%	3	20159.08	17286.66
Maharashtra	4	26986.3	26438.94	16%	5	21592.85	22077.89	44%	5	16636.78	15282.61
Uttar Pradesh	5	25583.02	26190.58	19%	3	18871.92	20552.19	31%	4	10157.42	15695.01
Bihar	6	19100.99	24405.99	53%	6	17190.56	15919.4	31%	6	10657.51	12190.6
Rajasthan	7	16530.31	17506.39	26%	8	14672.07	14886.15	42%	7	10442.56	10506.45
Madhya Pradesh	8	16694.76	17407.92	17%	7	11815.11	13862.55	54%	8	7086.9	9024.71
Odisha	9	14071.05	15770.28	36%	10	11505.73	11386.52	46%	10	8066.52	7781.94
Gujarat	10	14051.97	13216.78	16%	9	11290.08	11558.91	46%	9	6980.72	7891.34

Source: Researcher's Analysis

The Table No. 1.6 shows Ranking of the top ten states on the basis of credit sanctioned year on year basis i.e. from FY 2016-17 to 18-19. The table shows that Tamil Nadu retained the top position for three consecutive FY with regard to amount sanctioned with Rs. 34260.05 crore amount sanctioned in the FY 2018-19 with 35% growth from previous year, Rs. 25331.68 crore in FY 2017-18

with 40 % growth from previous year. However, if we consider only the % change of these top 10 states from FY 2017-18 to 2018-19 than Bihar is the best performer with 53% growth from previous year followed by Odisha which is at 36%.

Table 1.7: Categories of MUDRA loans and beneficiaries FY 2015-16 to 2018-19

Scheme	2015-16			2016-17			2017-18			2018-19		
	No. of Accounts (lakh)	Amount sanctioned (in crore)	Amount disbursed (in crore)	No. of Accounts (lakh)	Amount sanctioned (in crore)	Amount sanctioned (in crore)	No. of Accounts (lakh)	Amount sanctioned (in crore)	Amount disbursed (in crore)	No. of Accounts (lakh)	Amount sanctioned (in crore)	Amount disbursed (in crore)
SHISHU	324.01	62894.96	62027.69	364.98	85100.74	83891.88	426.69	106001.6	104228.05	5,15,07,438	1,42,345.25	1,39,651.55
% Share	93	46	47	92	47	48	89	42	42	86	44	45
KISHORE	20.69	43052.55	41073.28	26.64	53545.14	51063.12	46.53	86732.16	83197.05	66,06,009	1,04,386.68	99868
% Share	6	31	31	7	30	29	10	34	34	11	32	32
TARUN	4.1	31501.76	29853.76	5.4	41882.66	40357.13	8.06	60943.34	59012.25	17,56,871	74,990.86	72,291.84
% Share	1	23	22	1	23	23	2	24	24	3	23	23
TOTAL	348.8	137449.27	132954.7	397.02	180528.54	175312.13	481.28	253677.1	246437.35	5,98,70,318	3,21,722.79	3,11,811.39
New entrepreneurs /Accounts : Cumulative for 4 years												
	No. of Accounts (lakh)		Amount sanctioned (in crore)		Amount disbursed (in crore)							
	4,84,17,267		3,38,092		3,23,464							
% Share	27		38		37						22	32

Source: Researcher's Analysis

The Table No. 1.7 shows the scheme wise loan distribution with regard to number of accounts, amount sanctioned and disbursed from Financial Year 2015-16 to 2018-19. For all the financial years the number of accounts, amount sanctioned and disbursed is decreasing on yearly basis for the “Shishu” scheme, however, it still retained highest share followed by “Kishore” and then “Tarun”. The reason could be that the interest rate in this scheme is lowest. It can

also be concluded that it has given boost to the entrepreneurial culture as it caters the need of the new start-ups. Furthermore, this table also highlights that 38% of the loan has been sanctioned for the new entrepreneurs.

Conclusion & Suggestions

The study concludes that Pradhan Mantri Mudra Yojana (PMMY) is the key initiative of Government of India to

develop and improve entrepreneurial culture in the country by providing collateral free and cheap credit to “millions of unfunded micro units” which were otherwise struggling to establish due to lack of availability of funds. The MUDRA Yojna filled the gap of unfunding or shortage of the funds. It also boosts the morale of “first generation entrepreneurs” by providing financial assistance for setting up their businesses and expanding it further.

The present study analyzed the MLI credit distribution, growth trends of the beneficiaries, best performing states and schemes. The performance of private MLI is found better than those of public lending Institutions. However, public sector constitutes the key components for financial inclusion due to their wide network hence and government should take measures to enhance the performance of these public sector banks. Further, in the top ten best credit sanctioned states, Tamil Nadu retained the top position for three consecutive FY, however, Bihar is the best performer in terms of 5 age increase with 53% growth followed by Odisha which is at 36%. The government work towards improving performance of bottom states by offering more innovative and attractive schemes. Furthermore, scheme wise loan distribution with regard to number of accounts, amount sanctioned and disbursed is decreasing on yearly basis for the “Shishu” scheme, however, it still retained highest share followed by “Kishore” and then “Tarun”. The reason could be that the interest rate in this scheme is lowest. It can also be concluded that it has given boost to the entrepreneurial culture as it caters the need of the new start-ups. T

In the light of this study, it is suggested that government can further improve this scheme by appointing “independent agency” to contentiously evaluate the impact bring forth by “PMMY Scheme” in order to make this scheme “more effective” by innovating it on regular basis as per the market demand by restructuring the “product designs” & “delivery mechanisms” by considering local needs of the entrepreneurs.

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