

# Performance Evaluation of MUDRA Scheme with Reference to Different Loan Categories and women entrepreneurs

Naresh (Research Scholar)  
Rachna (Research Scholar)  
Ravinder Nagar (Research Scholar)

## Abstract

The Government of India has recently launched a wide range of macroeconomic policy initiatives which are innovative as well as transforming also. Among these government of India has launched Micro Units Development and Refinance Agency (MUDRA) bank on 8th April, 2015 with the objective of providing the financial assistance to small entrepreneurs. The main objective of this initiative is to empower Non-Corporate Small Business Sector (NCSBS), to fulfil the financial needs of approximately 5.77 Crore small businesses spreading throughout the country as well as to establish as many microfinance institutions (MFIs) as possible. Micro, small and medium enterprises plays the key role in the growth of Indian economy. Keeping in view the role of micro small and medium enterprises the government of India introduced the Pradhan Mantri MUDRA Yojana for providing to the non-farm micro/small enterprises and non-corporate sector amount up to Rs 10 lakh. MUDRA stands for Micro-Units Development & Refinance Agency and it was introduced 8 April 2015 by the prime minister of India in Vigyan Bhawan as a wholly owned subsidiary of Small Industries Development Bank of India (SIDBI). It is a public sector financial institution which provides the loan to financial institutions which are provided credit to MSMEs sector. The main objective of this study is to evaluate the performance of MUDRA scheme with special reference to different loan categories of MUDRA scheme. The study found that the growth rate of the Kishore category in the financial year 2017-18 is 55.37% which is higher in different category and indicating that more loan provides to the Kishore category and in the financial year 2016-17 the growth rate of Shishu category is 35.31% which indicate more money is provided to the Shishu category.

**Keywords:** MUDRA, MFI, SIDBI, Refinance, NCSBS

## Introduction

At present, India is a major fastest growing economy of the Asian region. The micro small and medium enterprises are playing a crucial role in the Indian economy. The MSMEs sector is the second largest source of employment after agriculture in the Indian economy. MSMEs contributes near about 8% in a gross domestic product (GDP), 40% in exports, 45% in manufacturing, and more than 50 million people are depends on MSMEs for their employment. Thus, the micro small and medium enterprises are the lifeblood for the growth of Indian economy. MSMEs are the significant growth driver. The micro small and medium enterprise includes the manufacturing, processing, services and trading sector. Although MSMEs are playing a major role in the development of Indian economy still this sector has to face many problems namely lack of education, lack of financial resources, lack of knowledge about technology, lack of systematic way of marketing, underutilization of capacity, transportation, etc. Among all these problems the major problem which has to face by this sector is lack of availability of adequate financial from the organized sector of country. So for meeting their credit needs these small firms have to take loan from unorganized financial sector which are quite expensive and charged a very high rate of interest due to which MSMEs has to spend the major part of their profit for the payment of interest to the unorganized sector. Keeping in view the role of micro small and medium enterprises in the growth of economy the government of India introduced the Pradhan Mantri MUDRA Yojana for providing the financial assistance to the non-

farm micro/small enterprises and non corporate sector amount up to Rs 10 lakh. MUDRA stands for Micro Units Development & Refinance Agency and it was introduced 8 April, 2015 by the prime minister of India in Vigyan Bhawan as a wholly owned subsidiary of Small Industries Development Bank of India (SIDBI). It is a public sector financial institution which provides loan to MSMEs sector. The introduction of MUDRA scheme was initially announced in the union budget for financial year 2015-16 by the finance minister of India. MUDRA was registered as a non banking financial institution with the reserve bank of India on 7<sup>th</sup> April, 2015 and as company under the companies act, 2013 in March 2015. It is also known as the MUDRA loan scheme which is implemented by all the financial institution across India. GOI through this scheme has provided a loan up to Rupees 10 lakh in three categories, viz, Shishu, Kishor and Tarun through MUDRA Bank. The working of this scheme will closely examined by the National Bank for Agriculture and Rural Development (NABARD). If implemented in right spirit, this scheme initiative has the power to bring revolutionary changes in the Indian economy. This study tries to find out what is new in this initiative and its future prospect after initiation. Through this scheme loans are provided by the all commercial banks, cooperative banks, regional rural banks, micro finance institutions, and non banking financial company. The borrower can approach any lending institution mentioned above or can apply through this portal [www.murdamitra.com](http://www.murdamitra.com). The main aim of the MUDRA scheme is funding the unfunded. In MUDRA there have no agents or middlemen for availing MUDRA loan. MUDRA gives advice to borrowers keep away from the person posing agent of MUDRA. It is a refinancing agency which do not provide directly loan to the borrowers. MUDRA will refinance all banks, micro-finance institutions and other lending institutions which are in the business of lending to micro/ small business entities, engaged in manufacturing, trading, services, and processing activities. MUDRA will strengthen the last mile financial institution by extending refinance and other financial support to expand their business. The basic criteria for age should be 18 years old. The loan from MUDRA bank is provided if and only if the amount is applied to commercial and business purpose and not for personal purpose.

### Objectives of MUDRA

To establish a formal system of finance to small and micro business units.

To encourage the entrepreneur and small business units to expand their capability and operation.

To provide fund to unfunded and bank to unbanked.

The participants of MUDRA are classified in three categories on the basis of the amount distribute to them.

**Shishu:** covering loans up to 50000. In this category those individuals are included which required the lesser amount of credit. The amount of loan can be repaid within the period of 5 years. The financial institutions do not charge any amount for processing the loan.

**Kishore:** covering loan more than 50000 and up to 5 lakh. Already started business can get money from this category for expand and improve their business.

**Tarun:** covering loan more than 5 lakh and up to 10 lakh.

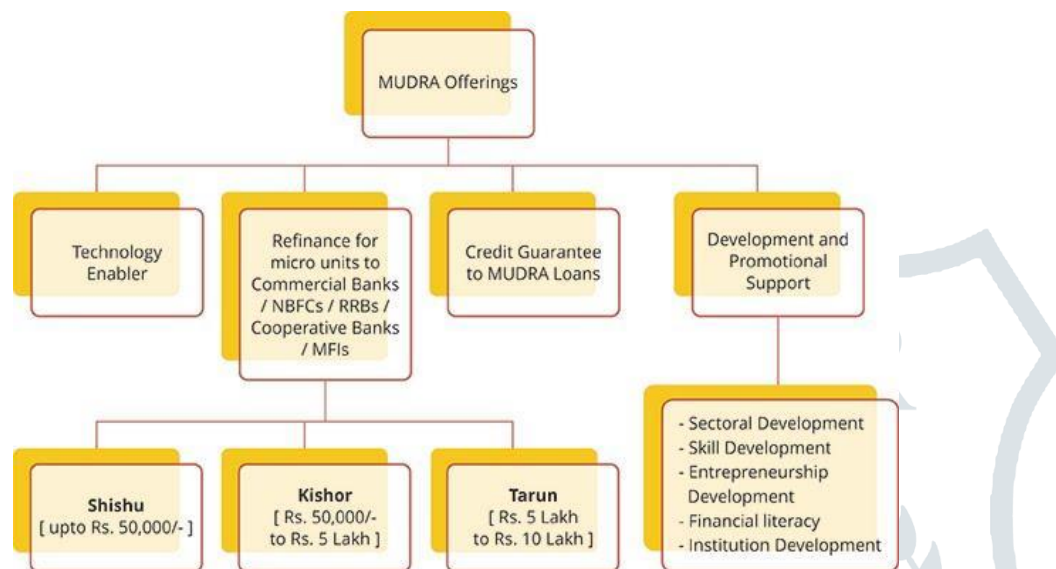
The loan is provided under this scheme only for non-farm income, Indian citizen, business purpose and small business owners namely repair shops, vegetables vendors, food processing units, etc.

### Other Funding Products of MUDRA

**Micro Credit Scheme:-** micro credit scheme of micro financial institution which provides the loan to the small and micro enterprises according to their capital requirement. The loan will be provided only for business purpose not for personal use. The micro credit scheme provides the financial assistance for loan up to 1 lakh through micro finance institutions. Micro finance institutions will have to full fill some requirements which are notified by the MUDRA time to time.

**Refinance Scheme for Financial Institutions:-** MUDRA will provide refinance facility to all financial institution across India which are provide credit to small and micro enterprises for business purposes up to 10 lakh. The credit should be provided under the Shishu, Kishore, and Tarun categories classified by the MUDRA.

**Women enterprise program:** for encouraging women entrepreneurs the MUDRA provides additional facilities to all financial institutions like reduction in interest rates. MUDRA reduces 25 bps of its interest rates to micro finance institutions and non- banking finance companies are providing loans to women entrepreneurs.



(Source [www.mudra.org.in](http://www.mudra.org.in))

The above figure clearly mentions the areas in which finance is provided through MUDRA scheme. MUDRA offerings are mainly provided to technology enabler, refinance for micro units to commercial banks. Through this scheme loans are also granted for sectoral development, skill development, entrepreneurship development, financial literacy and institution development. Keeping in mind the main objective of microfinance, the MUDRA BANK is targeting Funding the unfunded as a Last Mile Financiers. In most of the developing countries, financing to the poor class through formal financial services failed to meet the requirements. Any Indian Citizen who has a wage producing plants from small scale business exercises in exchanging, assembling and preparing and whose advance prerequisite is under Rs.10 lakh can gets the financial assistance under PMMY.

**Research Methodology:** The main objective of the present study is to determine the performance of MUDRA scheme in terms of number. of accounts open and amount disbursed in different states to women entrepreneurs and also to determine the effect of MUDRA scheme on small scale business. For the purpose of study data has been taken from trend reports on MUDRA scheme from economic time for a period from 2015 to 2018. The study also reveals the growth in amount of loan disbursed to different loan categories. Performance of each category shown with the help of bar charts and tables.

**Table1 Amount disbursed to different loan categories in previous time period of MUDRA**

Categories	2015-16	2016-17	2017-18	Growth in 2016-17	Growth in share 2017-18
Shishu	62,894.96	85,100.74	104,228.05	35.31%	22.47%
Kishore	43,052.55	53,545.14	83,197.09	24.37%	55.37%
Tarun	31,501.76	41,882.66	59,012.25	32.95%	40.49%
Total	1,37,449.27	1,80,528.54	246,437.39	31.34%	36.50 %

<https://economictimes.indiatimes.com/news/economy/finance/india-fastest-growing-economy-in-asia-on-track-to-meet-fy18-target-ADB/articleshow/65049353.cms>

<https://www.mudra.org.in/>

The above table shows the amount disbursed to different loan categories through MUDRA scheme. Data in the table has been taken from 2015 to 2018. From the table it can be concluded that there is continuous growth in amount of loan disbursement in all three categories namely Shishu, Kishore and Tarun throughout the period. In 2016-17, the maximum growth rate in amount of loan disbursement through MUDRA scheme was found for Shishu category and in 2017-18, was for Kishore. Total growth in amount of loan disbursement through this scheme was greater in 2017-18 (36.50%) as compared to 2016-17(31.34%). So from the table we can analyze that there is continuous increase in the amount of loan disbursement through this scheme for promoting the SMEs sector.

### Top ten states /UTS -no. of accounts open under MUDRA scheme and amount disbursed to women entrepreneurs from year 2015-17

Table No. 2

Number of accounts open and amount disbursed to women entrepreneur 2015-16 under MUDRA scheme

States/UTS	No. of accounts	States/UTS	Amount allocated
Tamil Nadu	4148794	Tamil Nadu	9215.52
Karnataka	3819070	Karnataka	9039.34
Maharashtra	2940363	Maharashtra	6895.82
Uttar pradesh	2618405	Uttar pradesh	5557.72
Madhya pradesh	2192664	Madhya pradesh	4371.8
Orissa	2104820	West bengal	4336.3
West bengal	2076842	Bihar	3763.43
Bihar	2047823	Orissa	3247.37
Rajasthan	825729	Gujrat	2153.58
Gujrat	749287	Andhra Pradesh	18899.52
<b>Total</b>	<b>23523797</b>	<b>Total</b>	<b>50480.4</b>

#### SOURCE:

dataset URL:<https://data.gov.in/catalog/answers-data-rajya-sabha-questions-session-241>

Table inference that total number of accounts opened by women entrepreneurs is 6114737 out of which top ten states and UTIs women covers 5207860 number of accounts which represent major percentage of account opened that is 85%. in the year 2015-16. Total amount of loan disbursed is 1469.79cr. to all UTI / states out of which share of top 10 states and UTIs is 80% that is amounted Rs.11780.11Cr in year 2015-16. The Majority of the states/UTI where account opened is maximum received the maximum amount of funding under PMMY scheme. Under PMMY scheme number of accounts/ no. of loan sanctioned during year 2015-16 to 2017-18 were found 12.2Cr, out of which 3.49Cr. were new entrepreneurs.

Figure 1: represents the top ten states/ UTIs in which highest amount of loan disbursed to women entrepreneurs 2015-16.

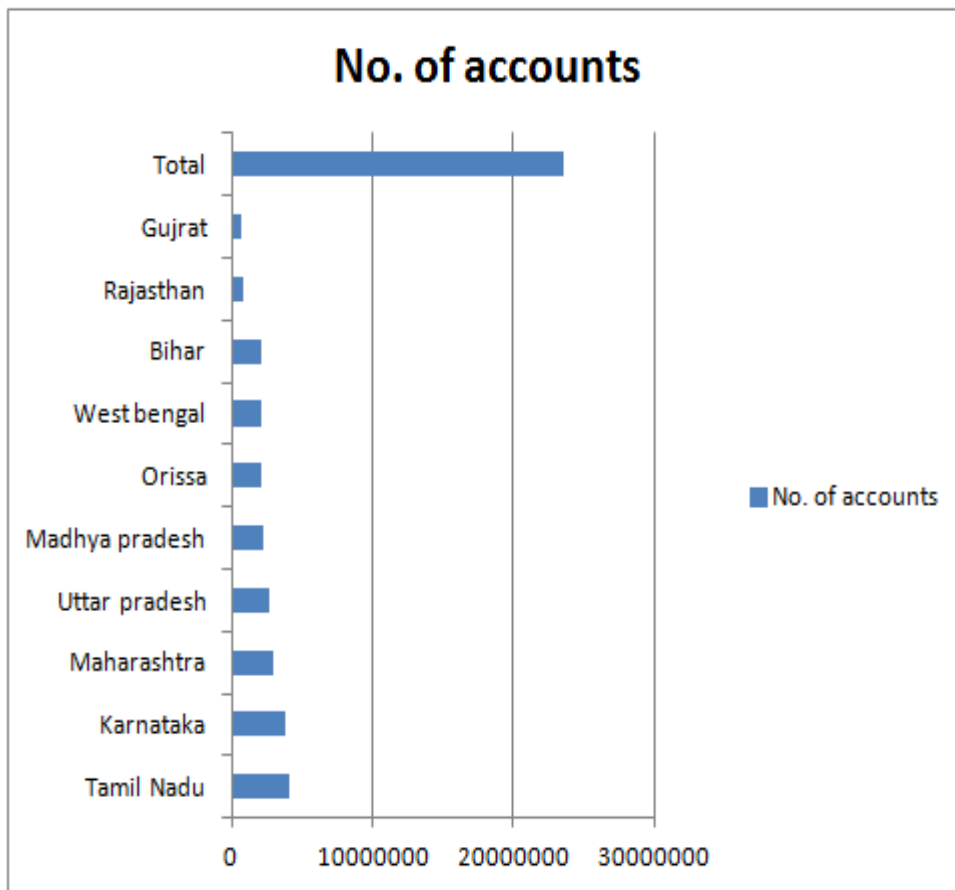


Figure 2: represents the top ten states/ UTIs in which highest amount of loan disbursed to women entrepreneur.

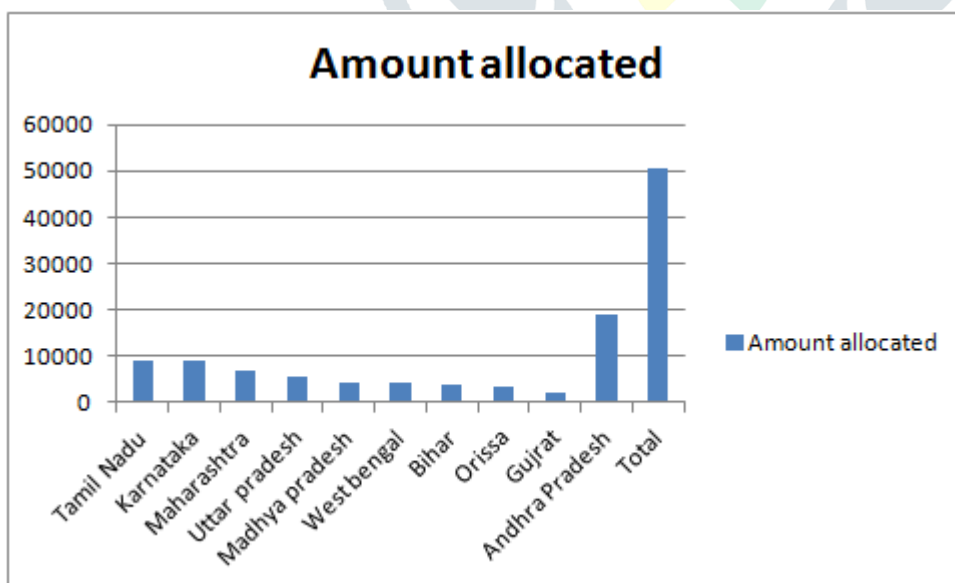


Table No. 3

Number of accounts open and amount disbursed to women entrepreneur 2016-17



States/UTS	No. of accounts	States/UTS	Amount allocated
Arunachal pradesh	2435864	Tamil Nadu	5700.43
Assam	1890285	Karnataka	4707.78
Bihar	1669527	Maharashtra	3985.29
Chandigarh	1516870	Uttar pradesh	2907.17
Chhattisgarh	1467957	Bihar	2889.26
Daman and dev	1428262	West bengal	2724.61
Orissa	1358811	Madhya Pradesh	2632.86
Delhi	1156996	Orissa	2608.24
Goa	423014	Gujrat	1337.35
Gujrat	410025	Rajasthan	1077.59
<b>Total</b>	<b>13866757</b>	<b>Total</b>	<b>30570.58</b>

**SOURCE:**

dataset URL: <https://data.gov.in/catalog/answers-data-rajya-sabha-questions-session-241>

The above table shows that the total number of accounts open during the year 2016-17 by women entrepreneur through MUDRA scheme is 159999000 out of which 13866757 (77.77%) accounts open only in top ten states namely andhra pradesh , assam, chandigarh , chhattisgarh, Daman and DEV, Orissa, Delhi, Goa, Gujrat. During the year 2016-17 total amount of loan granted to women entrepreneur is 37052.59 crore out of which major beneficiaries of loan funding is got by Tamilnadu, Karnataka, Maharashtra, U.P., Bihar, West Bengal, Madhya Pradesh, Orissa, Gujrat, Rajasthan that is 30570.58 crore (82.5%).

Figure 3: represents the top ten states/ UTIs in which highest number of accounts open by women entrepreneurs for 2016-17.

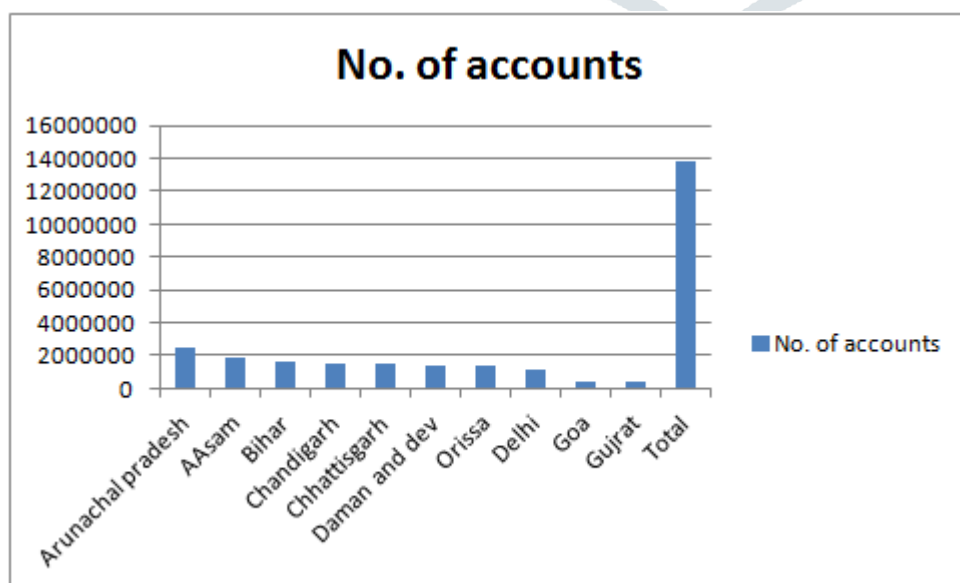
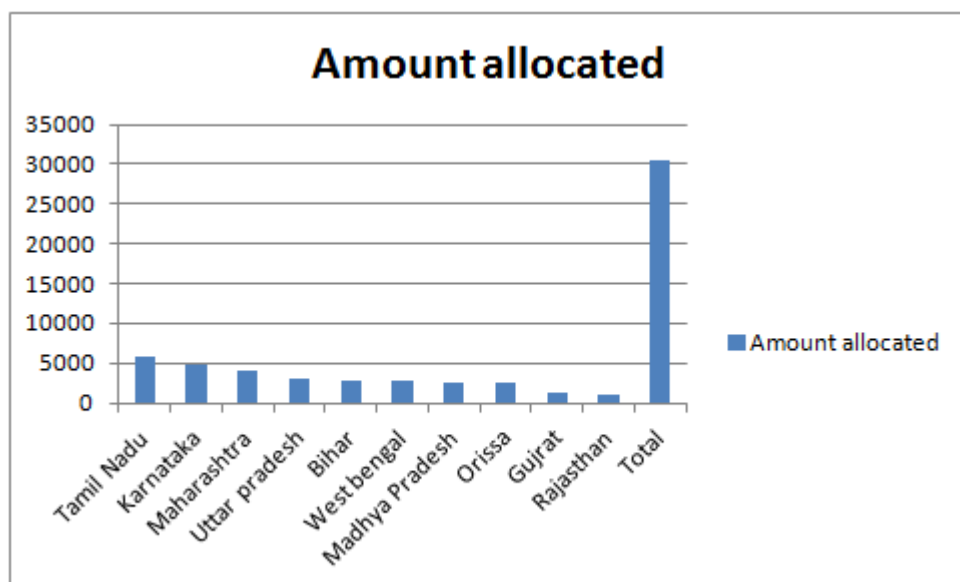


Figure 4: represents the top ten states/ UTIs in which highest amount of loan disbursed to women entrepreneurs for 2016-17.



**CONCLUSION:** From the study it can be concluded that launching of PMMY is a great step taken by the GOI. Due to it, there is a revolutionary change in the area of microfinance. The scheme proves very helpful for the weaker section, low income group and unfunded population and also will increase the competition. Financial inclusion through PMMY increases the opportunities for credit requirement and refinance. But some shortcomings has also been found out. The study shows that Pradhan Mantri Mudra Scheme has very limited role in economic rehabilitation of urban rural population. So there is the need to make improvement in the proper implementation of MUDRA scheme. There should be appropriate body, consisting team of experts, to help the farmers in shifting from farm activities to non-farm activities. As Pradhan Mantri mudra scheme is very much important for urban-rural population to solve their problem of capital, so sincere efforts should be made to aware population about benefits of scheme so that more and more people can take the benefit of Pradhan Mantri mudra scheme and problem of unemployment can be easily solved.

#### References:

- Roy, M. (2018). MUDRA: The Transformation of Microfinance in India: Review, Experiences and Future Prospect. In *Advances in Finance & Applied Economics* (pp. 93-104). Springer, Singapore.
- Agarwal, M., & Dwivedi, R. (2017). Pradhan Mantri Mudra Yojana: a Critical Review. *Parikalpana: KIIT Journal of Management*, 13(2), 97-106.
- Tripathi, P. (2017). Role of Pradhan Mantri Mudra Scheme in Economic Rehabilitation of Urban Rural Population: A Case Study of Lucknow City.
- De, N., & Mondal, T. Micro, Small & Medium Enterprises (MSMEs) and Potential Women Entrepreneurs for Inclusive Growth in India.
- INDIA, I. (2011). Financial Inclusion.
- Rajak, S. K. Rural industrial development in Jharkharkhand.
- Joshi, B. (2018). In Partial Fulfilment Of the requirement of the award of the degree of masters of business administration.

Nikaido, Y., & Pais, J. (2018). Women Owning Small Firms in India: Analyzing Social and Cultural Diversity

Sehdev, B., & Raman, T. V. (2016). Priority Sector Lending: A Paradigm Shift. *Amity Business Review*, 17(2).

Singh, R. (2017). Problems and prospects of women entrepreneurship with special reference to MSMEs in the state of Gujarat. *Unpublished doctoral thesis*). Gujarat Technological University, Gujarat, India. Retrieved from <https://www.gtu.ac.in/uploads/Thesis129990992024.pdf>.

