

PERFORMANCE EVALUATION OF MUDRA BANK (WITH SPECIAL REFERENCE TO STATE OF MADHYA PRADESH)

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Abstract

The theme of 'United Nations International MSME day' reads "Small Businesses, Big Impact." All over the world, MSMEs have been recognized as growth engines of economic development. In India too, MSMEs have been instrumental in shaping the growth trajectory of the economy. But these small businesses face many problems since their inception to their day to day operations. Major problem of small business in India is lack of finance. Given this fact, there was an urgent need of an institution which would provide affordable loans to micro and small businesses engaged in manufacturing, trading, and service activities. Micro unit's development and refinance agency (MUDRA) Bank is established with an aim to provide affordable loans and nurture the entrepreneurial talents in the micro and small business sector. The bank with various ambitious objectives is a fully owned subsidiary of SIDBI which is a principal financial institution for promotion and growth of Micro, Small and Medium Enterprises (MSMEs) in the country. The bank aims to provide financial support to entrepreneurs in three categories namely Shishu, Kishor and Tarun. This paper attempts to study the inception of MUDRA Bank and evaluate its performance in India and the state of Madhya Pradesh.

Keywords: MSMEs, Small Businesses, MUDRA Bank, United Nations, economic development

I. INTRODUCTION

MSMEs have become the engine of economic growth in India. Not only in India, MSME sector is also well recognized all over the world. The importance of MSMEs in the Indian economy could be assessed from the fact that MSMEs contribute to 6% of GDP, 33% of total manufacturing and 45% of total export. Owing to its significant contribution to employment generation, GDP contribution and export, MSMEs get special attention in every policy initiative. This significance of MSME sector is well established because of presence of a large number of microenterprises in the sector.

According to MSME Annual Report 2017-18, there are 633.88 lakh total MSME establishments in the country. Out of which, more than 630.52 lakh establishments are micro enterprises which is 99% of total estimated MSMEs. Small and medium enterprises constitute only 0.525 and 0.01% of total MSME establishments. So, it is no wonder to say that the essence of MSME sector lies in microenterprises. These

micro-enterprises have contributed to employment generation, poverty reduction and bringing social equalities in socially deprived sections of the society. However, with Liberalization and entry of Multi-National Corporations (MNCs), these microenterprises are facing stiff competition. Rapid changes in technology, unpredictable market scenario and information asymmetry have also contributed to their increased problems. Some microenterprises manage to cope with such intense competition and survive in the market. Those microenterprises who do not change their operations with the changes in the market situation fails to survive and becomes sick. Other challenges of Microenterprises include Access to finance, lack of infrastructure, lack of skilled manpower, lack of market development, Information asymmetry etc. (Singh, Khamba, & Nanda, 2018). Among all these, finance is the major problem for MSMEs. The units face financial problems at the establishment stage and even in day to day operations of the business. Because of this, the units fail to foresee expansion and diversification opportunities as a result of which they fail to grasp available market opportunities.

To solve their financial problems and bridge this credit gap, the government of India Launched Pradhan Mantri Mudra Yojana (PMMY) on April 08, 2015. It was registered as a Company in March 2015 as per Companies Act, 2013. Launched with a corpus of 20,000 crores and a credit guarantee corpus of 3,000 crores, MUDRA Bank is recognized as regulator in the field of microfinance. It is actually a Non-Banking Finance Institution (NBFI) with the main objective of “funding the unfunded”. With the help of MUDRA interventions, easy accessibility of finance is ensured to first generation entrepreneurs and Microenterprises. Earlier micro-entrepreneurs were facing problems in availing credit due to poor or no credit history or unavailability of collateral. MUDRA Bank was launched with the provision of the collateral free loan, less documentation work and fewer formalities. It is to be noted that MUDRA Bank does not directly provide loans to the borrower, rather, it refinances lending institutions like MFI's NBFC, RRB's and Commercial Banks. MUDRA Bank is not a commercial bank but it is a refinancing agency (Godha & Nama, 2017). For the last three years, MUDRA Bank is helping Micro and Small enterprises by promoting and supporting them and helping them grow and prosper.

II. REVIEW OF LITERATURE

(Godha & Nama, 2017) studied the impact of MUDRA on financial inclusion in India. They opined that MUDRA has made a big impact in the field of microfinance and has helped weaker sections and low-income groups in their funding needs. They suggested that efforts must be made to increase the number of loan sanctions and proper implementation of the scheme.

(Lall, 2018) studied the performance of MUDRA in the state of Uttarakhand. The author found that demonetization and GST had slowed down the entrepreneurial activities and the state which has caused a drop in the number of loan sanctions under MUDRA. The author applauded the initiatives of the state government for organizing camps and awareness programmes for the effective implementation of the programmes.

(Ruhela, Kumar, & Prakash, 2017) discussed about the existing MFI mechanism and their loopholes in microfinancing. They explored the possibilities that how MUDRA would make a difference in microfinancing and how MUDRA would be helpful in regulating the MFIs, so that small business could meet their financial requirement in a hassle-free manner.

(Gupta, Matho, & Dubey, 2017) opined that MUDRA will positively affect the lives of entrepreneurs engaged in small businesses and also help in shaping the progress of the economy as a whole. Researchers studied in detail about the performance, opportunities and benefit of MUDRA and asserted that MUDRA has contributed significantly to the progress of small business in Jharkhand.

III. RESEARCH METHODOLOGY

This paper is based on secondary data and is descriptive in nature. The facts and figures stated by researchers have been taken from various data sources including journals, magazines, websites, annual reports etc. Majority of the data has been taken from the Official website of MUDRA Bank (www.mudra.org.in) and Annual Reports of MUDRA Bank. The researcher has studied different schemes under MUDRA and overall performance of MUDRA on the basis of gathered data.

IV. OBJECTIVES OF THE STUDY

1. To study the genesis of MUDRA Bank.
2. To study the Progress of MUDRA bank in India.
3. To study the Progress of MUDRA bank in the state of Madhya Pradesh.
4. To provide suggestions for improving the performance of MUDRA Bank.

V. GENESIS OF MUDRA BANK

As per the data provided by National Sample Survey Office (NSSO) Survey in 2013, there were 5.77 crore small business/ micro units in the country. Most of which were micro units run by individual proprietorship or 'Own Account Enterprises'(OAE), around 94% of those OAE's were also owned by individuals of Scheduled Caste (SC), Scheduled Tribe (ST) or Other Backward Classes (OBCs). Out of these 5.77 crore small enterprises, less than 5% avail credit from formal sources, otherwise, the majority of them rely on their friends, family, relatives, moneylender etc. (Mudra.org, 2018).

There have been many interventions in the past to fulfil the credit needs of the sector. Some of the interventions to be mentioned are inclusion of MSMEs under Priority Sector Lending (PSL) norms in 1972, establishment of Small Industries Development Bank of India (SIDBI) in 1990 and formation of Credit Guarantee Fund Trust For Micro and Small Enterprises (CGTMSE) in the year 2,000 by SIDBI (Dvara

Research, 2018). But all these policy initiatives and interventions failed to solve the root problems of microentrepreneurs i.e. the problem of finance.

Keeping this problem in regard, Pradhan Mantri Mudra Yojana (PMMY) was launched to provide formal credit without much hassle. To implement the PMMY scheme, Micro Units Development & Refinance Agency Ltd. (MUDRA) was set up on April 08, 2015, with a major objective of “funding the unfunded”. Since the inception of MUDRA, an amount of 5.71 lakh crore has been sanctioned, helping nearly 12.27 crore micro and small entrepreneurs (Mudra.org, 2018).

MUDRA BANK SCHEMES

PMMY offers unsecured loans for MSMEs requiring credit for establishing new businesses (startups), for investments in plant and machinery and for service operations. Loans upto Rs. 50,000 are categorized as Shishu (infant), loans from Rs. 50,000 to upto Rs. 5 lakhs as categorized as Kishor (Youth) and further loans upto Rs. 10 lakhs is named Tarun (Young Adult). The loans under PMMY are made by Member Lending Institutions (MLIs), which include a number of Commercial Banks (both public and private sectors), Regional Rural Banks (RRBs), Micro Finance Institutions (MFI) and Non-Banking Finance Companies (NBFC). Most of them were earlier lending to this target segment under Priority Sector Lending (PSL) norms.

MUDRA also offers promotional and developmental support to units availing loans in the form of skill development, entrepreneurship development, financial literacy etc.

Below table shows the categories of loans under MUDRA scheme, their requirement as per growth stage, loan amounts under various categories, interest rates and repayment period of the loans.

Table 1: Categories of loan, Interest Rates and Repayment Period under PMMY

SN	Type	Amount	Phase/Growth stage of enterprises	Interest Rate	Repayment Period
1	Shishu	Up to 50,000	For new Entrepreneurs who aspire to establish new businesses.	1-12%	5 Years
2	Kishore	From 50,001 to 5 lakh	To support already existing businesses.	Depends on lending institution	Depends on lending institution
3	Tarun	From 5 Lakh to 10 Lakh	To finance businesses for Growth, Expansion and Diversification.	Depends on lending institution	Depends on lending institution

Source: (Mudra.org, 2018) (John, Kabra, Jose, & S., 2018) (Roy, 2016)

Funding support under MUDRA is further categorized into four types within the framework of Shishu, Kishor and Tarun:

- (a) Under the micro-credit scheme, loans up to Rs. 1 lakh is provided to microentrepreneurs for microenterprise activities.
- (b) under refinance scheme programme, supporting institutions like commercial banks, RRB's, Scheduled Cooperative Banks (SCB's) etc. are provided refinance against mudra loans extended by them to microentrepreneurs.
- (c) the women enterprises programme comes with additional benefits like reduced interest rates on the loans availed by women entrepreneurs.
- (d) To facilitate Banks, MFIs and NBFC for financing microenterprises, MUDRA also participates in loan securitization of their loan assets.

To provide working capital under the scheme, MUDRA rupay card is designed with the help of the National Payment Corporation of India (NCPI). The card can be used for withdrawal of money from any ATM across the country. With the help of Borrower Identification Number (BIN) and Issuer Identification Number (IIN) on MUDRA card, credit history of a borrower can be tracked.

SUPPORTING INSTITUTIONS

MUDRA Bank does not directly lend but refinances the supporting institutions. The objectives of MUDRA bank cannot be achieved without the support of these supporting institutions. These institutions are:

Micro Finance Institutions (MFI's)

In India, Microfinance has played a major role in the development of rural areas and have supported poor in agricultural related activities. The Indian Microfinance Sector has seen a remarkable development in the course of recent years. In the last few decades, the number of institutions providing microfinance services increased significantly. MFIs are important supporting institutions for the success of MUDRA Yojana.

Non-Banking Financial Institutions (NBFC's)

NBFCs supplement the banking sector extending loans to the corporate sector as well as small entrepreneurs from both formal and informal sector. The emergence of NBFCs, in one way, has given competition to banks in financing operations and has improved the operations of banks. banks were pushed to innovate their operations. Non-Bank Finance Companies (NBFCs) till now significantly helped MUDRA in extending loans.

Commercial Banks (CB's)

Commercial Banks are an important pillar in the financial system of any economy. Commercial Banks, mainly in the form of Public Sector Banks, Private Sector Banks, Regional Rural Banks, State Cooperative Banks etc. are spread all over the country. Because of Wide geographical reach, the government has considered them effective medium to disburse MUDRA loans. The Banks covers the majority part of MUDRA Bank loans.

other supporting institutions include **Regional Rural Banks (RRB's)** which were first formed in 1975, especially to cater to the needs of rural areas. **Small Finance Bank (SFBs)** are also acting as supporting institutions who are working in the field of microfinance.

VI. PROGRESS OF PMMY

To monitor the progress of mudra loans, MUDRA Bank has opened a portal named www.mudra.org. The number of loan accounts, amount of loan sanctioned, the category of borrower etc. is weekly updated on the portal. This helps in getting the actual data on a timely basis. The data on the portal helps to monitor the scheme in various states. Below table shows the three years states about loan targets and loan sanctions by MUDRA

Table 5.1: MUDRA Targets Achieved by PMMY

Year	PMMY Loan Target	Loan Sanctioned	Growth in Sanctioned Amount
2015-16	1,22,188	1,37,449.27	-
2016-17	1,80,000	1,80,528.54	31%
2017-18	2,44,000	2,53,677.10	41%

Source: Annual Report, 2017 (MUDRA, 2017), Annual Report, 2018 (MUDRA, 2018)

Since its' inception. MUDRA Bank has successfully achieved all three years' targets with the help of banks, MFIs, SFBs and NBFCs. During the first year, Financial Year 2015-16, an amount of Rs. 1.22 lakh crore was set as the target which was achieved easily by sanctioning 1.37 lakh crore by banks. Again in the Financial Year 2016-17, the target of 1.80 lakh crore was achieved, as more than 1.80 lakh crore was sanctioned. In Financial Year 2017-18, the 3rd year of operation, more than Rs. 2.53 lakh crore sanctioned against the target of 2.44 lakh crore.

MUDRA bank has shown a phenomenal response from the small and young entrepreneurs. Also, the Bank has been able to achieve its targets for consecutive years only because of supporting institutions.

The data from the Annual Report of MUDRA Bank, provided in the table 5.2 below, shows that there is a 41% growth over the previous year 2016-17 in the total sanctioned amount. While the growth in respect of Public Sector Banks is at 29%, it is 27% for Private sector Banks. In the same lines, the growth of RRBs is 29%. State Bank of India with Rs. 28,791 crore sanctions to 14.10 lakh borrowers made the highest amount of sanctions.

Table 5.2: PERFORMANCE OF SUPPORTING INSTITUTION UNDER PMMY

SUPPORTING AGENCY	TARGET	SANCTIONED	SANCTIONED	Growth
	2017-18	2017-18	2016-17	%
Public Sector Banks#	94,495	92,492.68	71,953.67	29%
Private Sector Banks\$	47,150	49,545.11	39,042.60	27%
RRBs	18,255	15,454.51	12,009.52	29%
SFBs	17,250	19,022.89	6,729.01	183%
MFIs@	57,800	50,143.75	45,338.22	11%
NBFCs	9,050	27,018.16	5,455.53	396%
Total	2,44,000	2,53,677.10	1,80,528.55	41 %

Source: MUDRA Bank Annual Report, 2018 (MUDRA, 2018)

including SBI and its associates; \$ - including Foreign Banks; @ - includes NBFC-MFIs, Non-NBFC-MFIs

The performance of private sector banks is also commendable with a sanction of Rs. 49,545.11 crores during the year recording a growth of 27%. Among the private sector banks, the newly formed Bandhan Bank topped the list with Rs. 17,657.36 crore sanction, which is alone more than 33% of total sanctions by private sector banks. Micro Finance Institutions (MFI's) also performed well and their lending increased by 11% during FY 2017-18. MFIs collectively made a total sanction of Rs. 50,143.75 crores to 2.19 crore Borrowers. Among MFI's, Bharat Financial Inclusion Limited is at the top with a sanctioned amount of Rs. 13,682.24 crores to more than 65 lakh borrowers. Total Sanctions from Regional Rural Banks (RRB's) stood at Rs. 15,454.51 crores. Among RRB's two banks which made highest sanctions were Pragathi Krishna Gramin Bank and Kerala Gramin Bank with a total sanction of Rs. 2,426 crore and Rs. 2,270 crore respectively. The contribution of NBFCs is also noticeable with a total sanction of Rs. 27,018.16 crore, which is 11% of the total sanction amount. During the year, Small Finance Banks(SFB's) achieved 110% of their Target and sanctioned a total amount of Rs. 19,023 crore to 64.30 lakh Borrowers. Among SFB's, AU Small Finance Bank is on the top with a total sanction amount of Rs. 4,614.40 crore to 1.17 lakh Borrowers.

STATE WISE PERFORMANCE OF PMMY

Based on outreach of supportive institutions in different states, the amount of loan sanctioned has varied irrespective of geographical area and population of states. In all top Five states, the amount of loan sanctioned has seen significant growth in FY 2017-18 than the previous FY 2016-17

Table 5.3: State-wise Performance of PMMY

STATE	TARGET 2017-18	SANCTION 2017-18	SANCTION 2016-17	GROWTH %
TamilNadu	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%

Source: MUDRA Bank Annual Report, 2018 (MUDRA, 2018)

Top Five lender states were Tamil Nadu, Karnataka, Maharashtra, Uttar Pradesh and West Bengal. In the state of Tamil Nadu total amount of sanction was Rs. 25,331.68 Crores, followed by Karnataka with the sanction of Rs. 23,009.73 crores. If growth in Sanctioned amount is considered, MUDRA loans in Rajasthan saw a growth of 52% in loan sanction amount followed by Odisha and Gujrat with total sanctions of Rs. 11,386.52 and Rs. 11,558.91. The growth in Rajasthan is attributed to improved performance of Public Sector Banks while Private sector banks and NBFCs were instrumental in growth in a number of sanctions in Gujarat.

Category Wise Analysis of PMMY

It is imperative to study details of loan sanctioned under different categories for effective monitoring and making real-time changes in the scheme. Category wise data for FY 2017-18 is presented in the table below

Table 5.4: Category Wise Analysis of PMMY

Category	No. of loan Accounts	Sanctioned Amt	Disbursement Amt	% Growth
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 2018 (MUDRA, 2018)

If we consider the category wise data, Shishu category loan was on the top with 88.65% of number of borrowers and amount sanctioned. Loans under Kishor category was 9.67% of the total loans with loans worth Rs. 86,732.15 extended to 46,53,874 borrowers. The share of Tarun loan also increased marginally about 1% with 45.50% growth over the last FY 2016-17

VII. PROGRESS OF PMMY IN MADHYA PRADESH

The state of Madhya Pradesh is called ‘Heart of India’ due to its geographical location. The state is endowed with abundance of natural resources which promises for growth of industries throughout the state. But most of the industries are concentrated in Indore and Bhopal. Entrepreneurial talents have not been utilized in the state. Also, there are ample opportunities for agriculture-related businesses in the state as 50% of the land in the state is cultivable. With the introduction of MUDRA and other state-level programs, in recent years, new micro and small businesses have been established in large number. The regulatory frameworks have helped small entrepreneurs realize their dreams and showcase their entrepreneurial abilities. They are getting financial, advisory and marketing support with the help of DIC’s and Facilitation centres under the supervision of state and central government.

It is estimated that During the two years from 2015 to 2017, a total of 1,50,000 MSMEs have been established in Madhya Pradesh. These MSME units have generated employment opportunities for over 5.81 lakh persons while infusing a Capital investment of nearly Rs 15,091 crore (e gov , 2017). MUDRA Bank has a major role in establishment of these much number of units. The loan sanctioned amount for FY 2016-17 was Rs. 10506.45 crore. Again total target set for MP was FY 2017-18 was 14,672.07 and actual loan sanctioned was 14,886.15, thereby achieving a substantial growth of 42%. For the FY 2017-18, The state is placed 7th in terms of the total amount of loan disbursed. The progress of MUDRA in the State of Madhya Pradesh for the last three years is shown in the following tables

Table 6.1: Progress of MUDRA Yojana in Madhya Pradesh in FY 2015-16

Pradhan Mantri MUDRA Yojana (2015-2016) - Madhya Pradesh (Amount in Crore)			
SCHEME	No Of Sanctions	Sanctioned Amount	Disbursement Amt
Shishu	2406310	4672.80	4610.76
Kishor	84343	1806.66	1653.63
Tarun	20538	1617.28	1504.90
TOTAL	2511191	8096.74	7769.29

Source: Mudra.org

In the first year of establishment, more than 25 lakh borrowers availed loan worth 8096.74 crores in the state. Out of which 24 lakhs were sanctioned under Shishu category the remaining by Kishore and Tarun categories.

Table 6.2: Progress of MUDRA Yojana in Madhya Pradesh in FY 2016-17

Pradhan Mantri MUDRA Yojana (2016-2017) - Madhya Pradesh (Amount in Crore)			
SCHEME	No Of Sanctions	Sanctioned Amt	Disbursement Amt
Shishu	2532101	5493.89	5433.54
Kishor	120581	2688.81	2543.23
Tarun	30370	2323.75	2215.14
Total	2683052	10506.45	10191.91

Source: Mudra.org

In FY 2016-17, the number of borrowers increased slightly in the state. The total number of account under MUDRA loan was more than 26 lakhs with a total sanctioned amount of 10506.45 crores. In this year also, a large part of loan was sanctioned under Shishu category.

Table 6.3: Progress of MUDRA Yojana in Madhya Pradesh in FY 2017-18

Pradhan Mantri MUDRA Yojana (2017-2018) - Madhya Pradesh (Amount in Crore)			
SCHEME	N. of sanctions	Sanctioned Amt	Disbursement Amt
Shishu	2479556	6888.85	6777.43
Kishor	201198	3951.06	3702.75
Tarun	79060	3559.92	3366.42
Total	2759814	14399.82	13846.61

Source: Mudra.org

MUDRA loans have seen tremendous growth in FY 2018-19. The total number of loan sanctions reached to more than 27 lakh borrowers with a total sanctioned amount of 14399.82 crores which is highest of all the three years.

From the above tables, it is visible that Overall MUDRA loan amount has increased from Rs. 8096.74 Crore in FY 2015-16 to 10506.45 in FY 2016-17. This amount again increased to Rs. 14399.82 crore in FY 2017-18. These increased numbers are showing that entrepreneurs are continuously availing the benefit of MUDRA and are enthusiastic about setting up their dream businesses. However, the quantum of MUDRA loan in Madhya Pradesh is not good as compared to other big states with the same level of population. The MUDRA Bank with the help of state government must take measures to improve the entrepreneurial spirit among youths and women in the state.

VIII. FINDINGS AND SUGGESTIONS

Based on the research, we found some positive and negative sides of PMMY. Here, we put forward Major findings and suggestions for our research

1. Working with a large number of partner Institutions is not only difficult but complicated procedure. The nature of all partner institutions is different and they deal with customers differently. For example, MUDRA has clearly instructed all the partner institution to not charge any processing fee from any customer but a study from 'MicroSave' reveals that some of the customers were charged an average processing fee of Rs. 383 or 1% of the total loan amount (Giri & Singh, 2016). This kind of activity kills the essence of such an ambitious scheme. MUDRA must ensure the compliance of its guidelines. The guidelines must be followed diligently and concerned institution must be punished for non-adherence.
2. With proper planning and cost-benefit evaluation, MUDRA Bank should take steps to open new its own branches. Loans under MUDRA is based on credit plus approach that means that the operation of MUDRA is not limited to extending loans but it also promises to provide advisory services, skill development, marketing training etc. In the present structure, due to variability in the methodology of working of supporting the institution, it is difficult to provide uniformity in the loan sanctioning procedure and compliance of other formalities. If MUDRA opens its own branches and recruits trained people, the ultimate objective of MUDRA can be achieved easily.
3. Banks are hesitant in promoting and extending mudra loans to first-time borrowers with no credit history. This is defeating the major purpose of establishing MUDRA. RBI should give more incentives to banks for extending MUDRA loans under priority sector guidelines (PSL) to give more incentives to banks. This will increase the interest of banks in lending to this segment.
4. By the Annual Report of all the three years, it is evident that loans under Shishu category comprise of more than 80% of loans. The question arises why the borrowers who had taken loans in the initial year under Shishu category are not applying again for Kishor and Tarun schemes. There is a question mark on how the loans sanctioned under Shishu category are being utilized. This must be analyzed carefully. Efforts must be taken to increase the share of loan from Kishor and Tarun Categories.
5. Former RBI governor Raghu ram Rajan has warned that schemes like MUDRA loans which are based in ambitious targets often achieved by abandoning appropriate due diligence. He anticipates that this kind of situation attracts crisis in the form of NPA (Business Today, 2018). Proper data management and tracking loan accounts must be done. Officials should ensure that the loan amounts are being utilized for purposes for which they have been taken.
6. There is a high regional disparity in sanctioning of MUDRA loans. According to a report from 'SKOCH', approximately 70 per cent of loan disbursals through MUDRA was concentrated in 10 states only. Some states with large geographical area and high population scored less in number of

account openings under MUDRA. The bank should organize awareness camps in such states and encourage people to apply for the loan.

IX. CONCLUSION

MUDRA bank has proved to be a cornerstone in the field of small business financing in India. MUDRA has not only facilitated credit support system, but it has also contributed to financial inclusion and formalization of informal units. The introduction of demonetization and Goods and Service Tax (GST) have also helped to bring millions of MSMEs into the foray of formal business financing. Formalization of MSMEs has made the path of MUDRA easier as it has become easier to keep track of the credit needs of the sectors. The impact of MUDRA bank can be seen in drastic increase in the number of MSMEs registered in the last three years. A huge number of loans availed in Shishu category implies that the new generation of entrepreneurs is enthusiastic about grabbing this opportunity. Also, MUDRA loans have been targeted well as 70 per cent of loans were availed by women entrepreneurs and other 35% by ST/ST/OBC entrepreneurs combined. After careful evaluation of the performance of MUDRA Bank in its initial years, we can say that the establishment of mudra bank is a landmark step in Small business financing. Overall, MUDRA Bank has been successful in fulfilling its objectives and has proved to be a game changer in MSME financing. In future years, it is expected to be instrumental in job creation, entrepreneurship development, financial inclusion and inclusive growth of the country.

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