

ANALYSIS OF BANK WISE FINANCIAL ASSISTANCE UNDER MUDRA SCHEMES

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A business loan is an unsecured loan that can be used to develop a new or existing enterprise. Whether it is expanding the business to new locations, purchasing advanced machinery, hiring new staff, or clearing all your debts, a business loan is a great choice. Many banks and Non-Banking Financial Companies (NBFC) today offer business loans under MUDRA at competitive interest rates. In recent years, the country's booming economy has provided a momentum to the rise of several Small and Medium-sized Enterprises (SMEs) and Micro, Small and Medium Enterprises (MSMEs) through MUDRA loans. Moreover, it has become extremely easy to avail of an MSME loan to meet the working capital requirements of the business. The MUDRA loans can be used for several purposes, such as upgrading the business infrastructure, startup, buying and repairing factory machinery, purchasing raw materials, etc.

Key words:MUDRA loans,Banks, Financial Institutions, Bank Accounts Loan Sanctions.

Introduction:

MUDRA Loans are offered to startup owners, small business owners, and women entrepreneurs on a short-term basis. The duration of loans is not the same, and it differs from one scheme to another. Lack of timely finance is one of the biggest setbacks for the growth of small businesses in India. With the MUDRA Loans, it is easy to avail of instant financing for the business. This helps to cover the financial requirements to carry out numerous business operations with ease. The target set by the Government of India under MUDRA for the year 2019-20 was Rs. 3.25 lakh crore which was distributed across various lending institutions, Banks, MFIs and NBFCs based on their outreach and presence in various parts of the country. The achievement data indicates 5 per cent growth over the previous year in the overall performance of the programme implemented by all the lending institutions. While the growth in respect of Public Sector Banks was moderate at 7 per cent, the same increased significantly by 43 per cent for Private Sector Banks. Among the Public Sector Banks, State Bank of India (SBI), with sanction of Rs. 35,125 crore to 36.76 lakh

accounts topped the table. SBI was followed by Bank of Baroda and Canara Bank with sanction figures of Rs. 10,282 crore and Rs. 9,489 crore respectively.

The Private Sector Banks recorded considerable improvement in performance with a sanction of Rs. 91,780 crore during the year, registering 43 per cent growth over the previous year. This was mainly on account of merger of SKS Microfinance (Bharat Finance Ltd.) with IndusInd Bank, who topped the list with sanction of Rs. 38,199.43 crore grabbing over 41 per cent of the aggregate sanctions by Private Sector Banks. The other major contributors in the private sector banks category were Bandhan Bank and IDFC Bank.

Merger of SKS Microfinance (Bharat Finance Ltd.) with IndusInd Bank resulted in lower performance of MFI category during year 2019-20, registering a decline by 9 per cent to the previous year. MFIs sanctioned a total Loan amount of Rs. 57,967 crore to 1.96 crore Borrowers. Credit Access Grameen Limited was the leading MFI with a sanction amount of Rs. 7,598 crore in more than 23 lakh loan accounts. NBFCs have also emerged as a major contributor to the PMMY with a total sanction of Rs. 40,518 crore (12 per cent of the total sanction amount). In this category, Fullerton India Credit Company Limited has been the highest contributor with a total sanction amount of Rs.11, 666 crore. Small Finance Banks achieved 101 per cent of their target. During the year, the 10 SFBs sanctioned a total amount of Rs. 29,501 crore to 71.60 lakh loan accounts.

Objectives of the Study:

The aim of the study is to analyze the bank wise financial assistance under mudra schemes during the period from 2015-16 to 2019-20. However the basic objectives of the study are as follows:

1. To identify the eligibility criteria of banks and financial institutions for providing MUDRA loans.
2. To classify the banks and financial institutions for MUDRA Loans.
3. To study the bank wise total number of accounts opened for MUDRA loans.
4. To examine the bank wise sanctions of total loans under MUDRA.

Eligibility Criteria of Banks and Financial Institutions:

As per the Government norms, several parameters are considered before partner institutions are selected to be a part of the institutions that can make MUDRA loans available through bank transfers to the entrepreneur in need. The banks and all other financial institutions need to fulfill the following certain eligibility criteria before they are on boarded.

1. For public sector banks, the level of NPAs should not exceed 15 per cent while for the private sector or foreign banks, this level should not cross 10 per cent. For regional rural banks, the net NPA level should be less than or equal to 3 per cent.

2. While the RRBs should have earned a net profit in the previous two years, the private and public sector banks should have profited in the last two years or must have a rating of over “A-minus” from credit rating agencies.
3. For small finance banks too, the profits earned over the last two financial years will be considered. Credit ratings could be considered solely at the discretion of MUDRA. Also, their net NPA should be equal to or less than 3 per cent.
4. For Microfinance Institutions, they should undergo a minimum of three ratings with the latest grading of at least MFR3, as per MUDRA or Small Industries Development Bank of India (SIDBI) guidelines. This is necessary for exposure of above ₹25 Crore by MUDRA.
5. NBFCs, too, need to show a track record of five years with profits before being chosen as partner institutions or Mudra banks..

Classification of Financial Institutions for MUDRA Loans:

Since the inception of MUDRA, the active participation of financial institutions is the fatal for successful implementation and to reach beneficiaries. The MUDRA loan scheme doesn't directly lend to entrepreneurs, rather these loans are made available through a host of Financial Institutions that are a part of the MUDRA bank branches' list. Non-Banking Financial Companies, Commercial Banks, Small Finance Banks, and Regional Rural Banks can also be called the designated MUDRA finance branches. Anyone who wants to avail a loan for their MSME unit must approach any of these lenders to apply for a MUDRA loan.

So far, a list of 203 partner institutions or MUDRA banks has been shortlisted. These include 15 Cooperative Banks, 25 Microfinance Institutions, 35 NBFCs, 47 NBFC-MFI, 18 Private Sector Banks, 21 Public Sector Banks, 36 RRBs, and 6 Small Finance Banks. These institutions serve potential beneficiaries across the country and ensure superior delivery of the MUDRA Loan scheme to those in need. The MUDRA bank aims to achieve last-mile credit delivery so that no one in need of a business loan gets left behind. The Banks and other Financial Institutions currently offering business loans under the MUDRA have interest rates ranging from 11 per cent to 37 per cent.

Bank wise Total Number of Accounts Opened for MUDRA Loans:

MUDRA is a refinancing scheme, offered to Banks and Micro Financing Institutions. This MUDRA is an entirely-owned subsidiary of SIDBI and provides Banks and Micro Financing Institutions with refinancing facilities against the loans they have provided to small businesses to promote the development of these micro-units. Thus these Banks and Financial Institutions are providing the financial assistance to the Small business units under the scheme of Shishu, Kishore and Tarun. The loans under these schemes are collateral-free and there is no need to pledge any asset as security to avail the loan. Additionally, third party guarantee is not required. Under this arrangement there is no fixed rate of interest on the loans availed. Interest is charged at the base rate plus 1 to 7 per cent. This can also be higher, depending on the risk involved and the profile of the customer.

To get the loan under the three schemes of MUDRA, one has to open the account with any of the authorized Banks or Financial Institutions. The following process is taken place to processing the loan:

- i. The applicant prepares a business proposal
- ii. Select the category / scheme (Shishu, Kishor, Tarun) under which he wants to apply
- iii. Visit a private or public bank where he can apply for a Mudra loan
- iv. Submit a completed loan application form together with recent passport size photographs, identity proof and proof of address etc.
- v. Complete any other formalities required by the bank.

After a scrutiny of the proposal and other details of the applicant, the account will be opened. Once the applicant deemed eligible by the bank to secure a loan under the Mudra Scheme, the loan is disbursed in the form of a pre-loaded Mudra Card that comes personalized with the loaneename on it. This is a RuPay debit card that is attached to the PradhanMantri Jan DhanYojana Savings Account and allows to conveniently withdrawing from any ATM when purchasing for the business. The cash withdrawal limit is set at Rs.25, 000 per day and includes cash credit and current deposit accounts as well.

Now it is proposed to study the total number of accounts opened for all the three schemes of MUDRA such as Shishu, Kishor and Tarun. The data related to all the three schemes cumulative number of accounts with different types of Banks and Financial Institutions is given in the Table-1.

Table-1: Bank wise Total No. of Accounts

Group of Banks / FIs	2015-16	2016-17	2017-18	2018-19	2019-20	Growth Rate
NBFC - MFIs	23050447 (66.10)	20291758 (51.11)	19532018 (40.51)	22963995 (38.36)	17562463 (28.21)	-23.81
SBI and Associates	1300589 (3.72)	1355806 (3.41)	1410005 (2.93)	2737079 (4.58)	3676217 (5.90)	182.66
Public Sector Commercial Banks	5306988 (15.20)	3456331 (8.70)	3723669 (7.74)	3927190 (6.56)	4304951 (6.92)	-18.88
Private Sector Commercial Banks	3067686 (8.80)	8821464 (22.22)	10456474 (21.72)	13277989 (22.18)	20866750 (33.52)	58.02
Foreign Banks	447 (0.01)	233 (0.05)	295 (0.06)	569 (0.09)	132 (0.02)	-70.47
RRBs	1410787 (4.04)	1446333 (3.64)	1488209 (3.10)	1508094 (2.52)	1522746 (2.45)	7.94

MFIs	743980 (2.13)	1129709 (2.84)	1808820 (3.76)	1879391 (3.14)	2059118 (3.31)	176.77
NBFC	0	239555 (0.60)	2714167 (5.64)	5853690 (9.78)	5094705 (8.17)	2026.74
Small Finance Banks	0	2959858 (7.43)	6996936 (14.54)	7722064 (12.79)	7160402 (11.50)	141.92
Total	34880924 (100)	39701047 (100)	48130593 (100)	59870318 (100)	62247606 (100)	78.46

Source: Compiled from MUDRA Annual Reports.

Note: Figures in bracket represent per cent to total

It is evident from the data of the Table – 4.4 that in the year of 2015-16 the NBFC-MFIs have the highest number of accounts with 66.10 per cent, followed by the Public Sector Commercial Banks with 15.20 per cent, Private Sector Commercial Banks with 8.80 per cent, RRBs 4.04 per cent, SBI and its associates with 3.72 per cent, MFIs alone 2.13 per cent and foreign banks 0.01 per cent. The NBFC alone and Small Finance Banks don't have a single account in the year 2015-16. The NBFC-MFIs continue the highest share of number of accounts up to 2018-19. In the year 2019-20 it was declined to 28.21 per cent. The growth rate of number of accounts with NBFC-MFIs is registered with -23.81.

In case of Private Sector Commercial Banks number of accounts increased in every year continuously and its share of number of accounts ranged from 8.80 per cent in the year 2015-16 to 33.52 per cent in the year 2019-20 with the growth rate of 58.02. Similarly the SBI and its associates share were removed from 3.72 per cent in the year 2015-16 to 5.90 in the year 2019-20. Whereas the Public Sector Commercial Banks share of number of accounts was 15.20 per cent in 2015-16 then after it was continuously declined and reached to 6.92 per cent in the year 2019-20 with the negative growth rate of -18.88. The Small Finance Banks have the 7.43 per cent of accounts in the year 2016-17 and it was doubled in the year 2017-18 with 14.54 per cent. Then after, it was declined to 12.79 per cent and 11.50 per cent in the year 2018-19 and 2019-20. However, a growth rate of 141.92 was recorded during the period of the study. In case of NBFC alone 2026.74, MFIs 176.77, RRBs 7.94 growth rates were recorded for the period of the study. The total MUDRA Bank accounts in above financial institutions shows increasing trend with the growth rate of 78.46.

Bank wise Sanctions of Total Loans under MUDRA:

The Bank wise Total Sanctions refers the total of sanctions by various Banks and Financial Institutions under the schemes of Shishu, Kishor and Tarun. The total sanction of loans ranged from Rs. 50,000 to Rs. 10 Lakhs. The relevant data related to Bank wise Total Sanctions is presented in the Table-2.

Table-2: Bank Wise Total Sanctions of Total Loans**(Rs. in Crore)**

Bank Name	2015-16	2016-17	2017-18	2018-19	2019-20	Growth Rate
NBFC – MFIs	44026.06 (33.11)	43233.22 (23.95)	45945.49 (18.11)	61113.56 (18.99)	54965.93 (16.29)	24.85
SBI and Associates	16999.82 (12.79)	22598.85 (12.52)	28790.89 (11.35)	33825.92 (10.51)	35124.87 (10.41)	106.62
Public Sector Commercial Banks	39127.28 (29.43)	49354.82 (27.34)	63701.79 (25.11)	65409.04 (20.33)	64662.15 (19.16)	65.26
Private Sector Commercial Banks	20025.65 (15.06)	39027.82 (21.62)	49527.59 (19.52)	64006.64 (19.89)	91772.93 (27.19)	358.28
Foreign Banks	21.34 (0.02)	14.78 (0.01)	17.52 (0.01)	30.61 (0.01)	6.56 (0.00)	-69.26
RRBs	10876.22 (8.18)	12009.52 (6.65)	15454.51 (6.09)	18046.89 (5.61)	17941.58 (5.32)	64.96
MFIs	0	2105.00 (1.17)	1956.34 (0.77)	2357.41 (0.73)	300.93 (0.09)	-85.70
NBFC	1878.36 (1.41)	1865.74 (1.03)	27018.15 (10.65)	47136.75 (14.65)	40518.22 (12.06)	2057.11
Small Finance Banks	0	10318.79 (5.71)	21264.30 (8.38)	29794.37 (9.26)	29501.43 (8.74)	185.90
Total	132954.73 (100)	180528.54 (100)	253677.10 (100)	321722.79 (100)	337495.53 (100)	153.84
Total Disbursement	132954.73	175312.13	246437.4	311811.38	329715.03	148.00
% of Disbursement on sanctions	100.00	102.97	102.94	103.18	102.36	2.36

Source: Compiled from MUDRA Annual Reports.

Note: Figures in bracket represent per cent to total

The datadepicts the details of loan sanctioned by various Banks and Financial Institution under all the MUDRA Schemes.It is noticed that NBFC-MFIs, Public Sector Commercial Banks, Private Sector Commercial Banks and SBI and Associates are playing a vital role to extend the financial support to the entrepreneurs under the three schemes of MUDRA continuously from the inception of MUDRA to 2019-20. The NBFC-MFIs sanctioned the loans at 33.11 per cent followed by Public Sector Commercial Banks at 29.43 per cent, Private Sector Commercial Banks at 15.06 per cent, SBI and associates at 12.79 per cent,

RRBs at 8.18 per cent, NBFC alone 1.41 per cent and Foreign Banks at 0.02 per cent in the year 2015-16. Then after all the above Banks and Financial Institutions share of loan sanctioned drastically declined continuously in the year 2016-17 and 2017-18. The same trend was continued during the last two years with a slight increase or decrease percentage.

It is also observed that the NBFC alone percentage of loan sanctioned moved from 1.41 per cent in 2015-16 to 14.65 per cent in 2018-19, however it was declined to 12.06 per cent in the year 2019-20 with a highest growth rate of 2057.11. In case of MFIs alone there was a negative growth rate of 85.70.

The Private Sector Commercial Banks contribution was very favorable with the highest growth rate of 358.28, followed by Small Finance Banks with 185.90, SBI and Associates 106.62, Public Sector Commercial Banks 65.26, RRBs 64.96 and NBFC-MFIs 24.85. Foreign Banks and MFIs alone are registered with a negative growth rate of 69.26 and 85.70 during the period under review.

The total sanctions of all the Banks and Financial Institutions under the schemes of Shishu, Kishor and Tarun significantly increased continuously throughout the period of the study. The growth rate of total sanctions of loans by all the Banks and Financial Institutions registered at 153.84. Similarly the total disbursements of loans under all the three schemes increased constantly year after year and registered at a growth rate of 148. It is clearly indicating that the total accumulated disbursements were more than 100 per cent of total sanctions in every year. The accumulated disbursements recorded at 2.36 growth rate. This trend is helpful to analyze the performance of all the Banks and Financial Institutions towards to extend the financial assistance to the entrepreneurs under the three schemes of MUDRA.

The type of loan sanctioned and disbursed indicates the stage of growth and financing requirements of the beneficiary micro unit or an entrepreneur and also to provide a reference point for the next level of growth of the enterprise. These loans have been given by Banks, NBFCs and MFIs and further it gets refinanced by MUDRA. The main purpose is to encourage the Non-Corporate Small Business Segment (NCSB) to avail the loan facility from the Financial Institutions under the purview of organized financial system. Non-Corporate Small Business Segment (NCSB) comprising of millions of proprietorship / partnership firms running as small manufacturing units, service sector units, shopkeepers, fruits /vegetable vendors, truck operators, food-service units, repair shops, machine operators, small industries, artisans, food processors and others, in rural and urban areas. There is a need to develop and expand the delivery channel at the ground level. In this context, there is already in existence, a large number of 'Last Mile Financiers' in the form of companies, trusts, societies, associations and other networks which are providing informal finance to small businesses.

Conclusion:

The study has considered the number of accounts opened and loan sanctions by various banks and financial institutions under MUDRA Schemes. The total MUDRA Bank accounts with the banks and financial institutions shows increasing trend with the growth rate of 78.46. The total sanctions of all the Banks and Financial Institutions under the schemes of Shishu, Kishor and Tarun significantly increased continuously throughout the period of the study. The growth rate of total sanctions of loans by all the Banks and Financial Institutions registered at 153.84. Similarly the total disbursements of loans under all the three

schemes increased constantly year after year and registered at a growth rate of 148. It is clearly indicating that the total accumulated disbursements were more than 100 per cent of total sanctions in every year. The accumulated disbursements recorded at 2.36 growth rate. This trend is helpful to analyze the performance of all the Banks and Financial Institutions towards to extend the financial assistance to the entrepreneurs under the three schemes of MUDRA. The involvement of private sector shows better than public sector, but it is not a good trend. Similarly the RRBs little participation in MUDRA functioning. To reach the schemes benefits to targeted groups active involvement of public sector banks is necessary; they hold wide coverage than private banks. The overall participation in both creation accounts and credit disbursement shows positive trend. Further the government should ensure the improved participation of PSBs and RRBs in credit lending.

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