

Mudrayojna- A Performance Analysis 2016-2022 with Special Reference to North Eastern States

Atul Kumar Das

Department of Commerce, Golaghat Commerce College, Golaghat, Assam, India

ABSTRACT

Long term economic policies for a developing country like India play an important role not only in contributing to nation's GDP but also by providing employment to a large number of people. Small businesses in India are not in a position to contribute effectively due to various constraints. Raising finance is one of the biggest problems for this sector. The scarcity of financial assistance and inadequate availability of credit facilities due to the weak credit worthiness of small businesses are the major causes of this problem. To remove the financial difficulties faced by micro and small business units the government of India launched a scheme on 8th April 2015 MUDRA to 'fund the unfunded'. The paper has made an attempt to review the financials of the MUDRA scheme for the period 2015-2022. Special reference has been given to the North Eastern states. The study is based on information collected from secondary sources.

Keywords: *MUDRA, Small Business, Financials*

INTRODUCTION

In a Developing country having large population like India, small businesses play an important role not only in contributing to nation GDP but also by providing employment to a large number of people. In India over 6000 products are manufactured by around 5.77 crore units and employ 460 million people in the country, of which 262 million people are self-employed. Micro Small and Medium Enterprises (MSME) contributes around 8per cent to GDP. The small businesses in the country are largely unorganized but employ a sizeable labour force. Small businesses are not in a position to play their role effectively due to various constraints. Raising finance is one of the biggest problems for this sector. The scarcity of financial assis-

tance and inadequate availability of credit facilities due to the weak credit worthiness of small businesses are the major causes of this problem. To remove the financial difficulties faced by micro and small business units the government of India launched a scheme on 8th April 2015 called Micro Unit Development and Refinance Agency, or MUDRA to 'fund the unfunded'. MUDRA is still not a fully-fledged bank and is in its initial stages. It will provide its services to small entrepreneurs outside the service area of regular banks, by using last mile agents.

REVIEW OF LITERATURE

Londhe (2022) measured and identified if the 'Pradhan Mantri Mudra Yojana' (PMMY) was

able to help and assist the targeted Bottom of Pyramid to achieve sustainable development by creating an inclusive, sustainable and value based entrepreneurial culture, in achieving economic success and financial security. A remarkable number of beneficiaries have been observed for shift to self-employment from previous jobs and status of unemployment.

Gupta and Sharma (2021) analysed Mudra Yojna and its impact on the Banking Sector. Banks take initiatives to promote the scheme as a result of which there is a year-on-year increase in the number of loan accounts created as well as loan amount sanctioned and loan amount disbursed. A percentage of the Mudra loans are turning to NPAs also as the borrowers are turning to be a defaulter. To cope with the NPAs and also to boost Banking Sector to intensively promote the scheme, GOI should take initiatives like the introduction of Collateral Security concept.

Poornima (2019) analyzed the MUDRA scheme and the products under the scheme. The researcher observed that if the procedural difficulties are removed then MUDRA scheme would definitely be a game changer in the MSME sector.

Ibrahim (2018) analyzed the performance of Micro Unit Development and Refinance Agency (MUDRA) Yojana, an initiative of Government of India to escalate the micro enterprises. The majority of the accounts holder and the beneficiaries of credit is General category but ST shows only meagre portion in both accounts opening and credit benefits. The majority of the accounts opened were in the 'Shishu' scheme, only meagre portion of accounts were opened in 'Tarun Scheme'. The study also found that there regional disparities in opening of MUDRA bank accounts, eastern region of the country have opened more accounts but the credit to the doesn't shows such proportion. The northern region of the country shows comparatively lesser participation in both creations of accounts as well as sourcing of credit.

Govindaraj and Gopalsamy (2020) stated the problems in recovery of Mudra loans provided by the NBFCs and defaults in it. Business failures, inefficiencies in lending practices, poor credit appraisal, willful default by borrowers and impaired cash flows are the major reasons in recovery of loans.

Ojha and Pandey (2022) studied how MUDRA has impact on Development of Entrepreneurship opportunity in East Singhbhum District of Jharkhand. Both government and private banks are playing leading role in acceleration of the MUDRA scheme in the district.

Bhosale (2022) highlighted the importance and the role of MUDRA bank towards the small business units. The researcher observed that the scheme will contribute to the well-being of the individuals engaged in small scale industries which will positively affect the progress of the economy as a whole.

Laiju (2020) studied the features of Mudra Loan, its major advantages and limitations, whether it has helped in self employment and also the number of people who has availed it in the past years. Mudra indeed has promoted entrepreneurship especially among the youth who are the future brains of the nation and who can lead our country to a developed phase.

Girnar (2015) give information about what is mudra yojna, product and offering of mudra yojna, mission, vision and objective of mudra yojna, interest rate of mudra yojna, how to apply under mudra yojna, progress report of various state in India relating to no. of sanctioned, total amount sanctioned, total amount distributed under mudra yojna, facts and figures relating to mudra yojna.

Agarwal and Dwivedi (2017) included the overview of PMMY, performance analysis of the scheme based on state, caste and category, SWOT analysis of the scheme and some recommendations.

Bhayana (2020) emphasized on the overview of Pradhan Mantri MUDRA Yojana in different states and overall performance by all the institutions for the year 2015-16 to 2018-19.

Mahajan (2019) studied and reviewed PMMY in the state of Maharashtra. It was found that MUDRA scheme has been fairly successful in the state of Maharashtra, but more need to be done for financial inclusion of all categories of people.

OBJECTIVES OF THE STUDY

1. To study the Prime Minister MUDRA Yojna (PMMY) and its performance from 2015-2022
2. To study the distribution of the scheme in North Eastern States of India and interpret on regional balance of the Scheme.

METHODOLOGY

The study is based on secondary sources of data. The financial data were collected from research papers accessed from authentic websites including Mudra official site. For the observations and findings are analysed and presented table and facts were analyzed logically.

DESCRIPTION ABOUT MUDRA YOJNA

MUDRA (Micro Units Development and Refinance Agency Limited) Bank was formed in

April 2015 by the Government of India's Union Budget. It aims to provide integrated financial support to the micro enterprises sector which includes small manufacturing units, food service units and small industries to name a few. The basic motive of establishing MUDRA is to extend the facility of institutional finance to small business entities involved in various trading, manufacturing and service activities. Along with MUDRA, the PMMY (Pradhan Mantri MUDRA Yojana) was also launched. Under the PMMY scheme, everyone from the non-farm income generating sector can seek loans up to Rs. 10 lakhs.

The following are some of the key features and characteristics of the Pradhan Mantri MUDRA Yojana:

MUDRA bank provides refinancing and credit support to institutions that promote small and micro enterprises. The products offered by MUDRA bank are -

- Micro credit scheme (MCS)
- Refinance for micro units
- Mahila Uddyami scheme for women entrepreneurs and
- Equipment Finance scheme

Refinance for micro units is given to commercial banks, regional rural banks, cooperative banks, micro finance institutions and non banking finance corporations. There are three types of loans offered under Refinance scheme. The loan is given on the basis of the stages of growth of enterprise (Table 1).

Table 1. Types of loans offered under Refinance scheme

Type of loan	Stage of enterprise	Amount of loan	Rate of Interest
Shishu	Starting stage Upto	Rs. 50,000	12%
Kishor	Mid stage	Rs. 50,000 to Rs. 5 Lakhs	14 to 17%
Tarun	Growth and development stage	Rs. 5 Lakhs to Rs.10 Lakhs	16%

Beneficiary-

Any businessperson or business who/ which has not been a defaulter on any loan repayment previously is eligible to borrow under the PMMY (Pradhan Mantri MUDRA Yojana). Thus individual business owner, private limited companies, public sector companies, proprietary firms or any other legal business entity can apply for the Mudra loan.

Purpose of Loan assistance-

As MUDRA loan is a business loan, the loan amount cannot be used for personal needs. It is provided to small businesses that carry out specific activities in the manufacturing, services or trading sectors. Businesses can utilize the capital obtained from a MUDRA loan for marketing purposes, increasing the available working capital or for acquiring capital assets to grow the business. Maximum Tenure– As per existing rules of the PMMY, the maximum repayment period for a MUDRA loan can extend to 5 years, however, the repayment period can be shorter if the lender decides so while sanctioning the loan.

Objectives of the scheme-

To fulfill the main objective of “fund the unfunded”, MUDRA has following important objectives.

1. Regulation of lender and borrower of micro-finance and to provide stability by inclusive participation in micro-finance system and ensuring regulation
2. To cooperate in financing and lending activities of microfinance institutions (MFIs), and

other lending agencies who make available finance to small traders, retailers, self-help groups and individuals.

3. For listing of all MFIs and to set up a performance level (performance rating) and system of preferential treatment for first time. This will help in assessment before taking loan and to reach that MFI which will meet the borrower’s needs and whose oldest record is the most satisfactory. It will boost up the competitiveness of the MFIs.
4. To provide infrastructure guideline to borrowers by implementing them. Business crash can be avoided and appropriate measures can be taken timely. MUDRA will assist in making satisfactory procedure or guidelines to follow for recover the money owed in case of default.
5. Development of standard set of covenants regulating last mile lending to micro units, which in the future will be the strength of character of the micro-business.
6. Formulating and implementing a credit guarantee yojana for providing guarantees to the loan given to micro business units.
7. For monitoring of funds distributed and promoting right technology solutions for last mile.
8. To develop an effective system for last mile credit delivery to micro business units creating a good architecture under the scheme of Pradhan Mantri MUDRA Yojana (PMMY).

PERFORMANCE ANALYSIS

Performance Analysis is shown in Tables 2-5.

Table 2. Particulars about Shishu Schemes-2015-2022

Particulars	Shishu (Loans up to Rs. 50,000)							Total
	2015-16	2016-17	2017-18	2018-19	2019-2020	2020-21	2021-22	
No. of Accounts	32401046	36497813	42669795	51507438	54490617	40180115	41721154	299467978
Loan Disbursed (Rs. Cr.)	62027.69	83891.88	104228.05	139651.55	162813.21	108637.24	123969.05	785218.7

Average loan per A/C (Rs.)& % increase / decrease	19143	22985 (20%)	24427 (6.27%)	27113 (11%)	29879 (10.20%)	27038 (-9.50%)	29714 (9.89%)	Average Rs. 25757
Loan outstanding (Rs. Cr.)	46811.38	60407.35	76655.45	102763.82		96172.17	127709.5	----

Table 3. Particulars about Kishore Schemes-2015-2022

Particulars (% of the total)	Kishore (Loans from Rs. 50,001 to Rs. 5.00 Lakh)							Total
	2015-16	2016-17	2017-18	2018-19	2019-2020	2020-21	2021-22	2015-2022
No. of Accounts	2069461	2663502	4653874	6606009	6471873	9486160	11088206	43039085
Loan Disbursed (Rs. Cr.)	41073.28	51063.12	83197.09	99868	91427.07	127239.57	133389.24	627257.4
Average loan per A/C (Rs.)& % increase / decrease	198473	191714 (-3.40%)	178770 (-7.24%)	151178 (-15.43%)	141268 (-6.55%)	134132 (-5.05%)	120298 (-10.31%)	159405
Loan outstanding (Rs. Cr.)	36612.44	43925.22	73563.59	88651.68	82403.25	118042.95	118388.5	

Table 4. Particulars About Tarun Scheme-2015-2022

Particulars	Tarun (Loans from Rs. 5 lakh to Rs. 10 Lakh)							Total
	2015-16	2016-17	2017-18	2018-19	2019-2020	2020-21	2021-22	2015-2022
No. of Accounts	410417	539732	806924	1756871	1285116	1068771	986166	6853997
Loan Disbursed (Rs. Cr.)	29853.76	40357.13	59012.25	72291.84	75474.75	75877.66	74043.91	426911.3
Average loan per A/C (Rs.)& % increase / decrease	727400	747725 (2.79%)	731324 (-2.19%)	411481 (-43.73%)	587299 (42.72%)	709952 (20.88%)	750826 (5.75%)	666572.4
Loan outstanding (Rs. Cr.)	25869.05	33876.74	51894.23	68712.6	66646.09	70331.51	65608.46	

Table 5. Status MUDRA finance in North Eastern States 2015-2022

Sl. No	States	Shishu (Loans up to Rs. 50,000)		Kishore (Loans from Rs. 50,001 to Rs. 5.00 Lakh)		Tarun (Loans from Rs. 5 lakh to Rs. 10 Lakh)	
		No Of A/Cs	Disbursement Amt (Rs. Cr.)	No Of A/Cs	Disbursement Amt (Rs. Cr.)	No Of A/Cs	Disbursement Amt (Rs. Cr.)
		2015-2022	2015-2022	2015-2022	2015-2022	2015-2022	2015-2022
1	<i>Arunachal Pradesh</i>	56014	157.31	10223	230.60	5108	38.55
2	<i>Assam</i>	8145942	23337.69	1112712	13150.47	101409	5982.06
3	<i>Manipur</i>	344032	678.04	48717	710.02	6681	461.87
4	<i>Meghalaya</i>	162634	451.07	37288	662.93	9656	582.41
5	<i>Mizoram</i>	43301	172.97	39797	693.26	4448	310.17
6	<i>Nagaland</i>	60751	194.58	31445	497.34	5638	388.14
7	<i>Sikkim</i>	90031	238.96	252.16	418.51	6330	330.35
8	<i>Tripura</i>	1864128	5575.47	367964	4263.28	11527	795.53
9	TOTAL (N.E.)	10766833	30806.09	1648398	20626.41	150797	8889.08
10	Share (%) to the total (India)	3.59	3.92	3.83	3.28	2.20	2.08
11	Average loan per A/C (Rs.)		28612		125130		589473

Interpretation

1. Micro Units Development & Refinance Agency Limited (MUDRA) monitors the progress of Prime Minister MUDRA Yojna (PMMY). The National Bank for Agriculture & Rural Development (NABARD) was also advised to closely monitor the progress of RRBs, as RRBs are under supervisory domain of NABARD.
2. Private Banks and MFIs are also partners of MUDRA.
3. The State Bank of India and its associate banks stands out among all the banks in lending under PMMY.
4. Among the Private Sector Banks, HDFC Bank tops the list. The RRBs are also playing a major role in providing assistance under the MUDRA scheme in the rural areas.
5. The loans were provided in highest in Shishu (Rs.785218.7 Cr.) Category followed by Kishore (Rs. 627257.4 Cr) .and Tarun (Rs. 426911.3 Cr.) from 2016-2022 category. Highest assistance in Shishu category has coordinated MUDRA's primary objective of financial assistance to new small and marginal entrepreneurs.
6. However, the average loan provided under "Shishu" is Rs. 25757 and Rs. 28612N. E States is far below the maximum loan assistance of Rs.50, 000. In N.E States it is higher than the national average. This reveals that all loan applicants did not received
7. Rs.50,000.
8. In case of N.E states, Assam tops in the MUDRA Yojna. Tripura follows Assam. The other states also need more importance to have a regional balance and entrepreneurial growth

in the hill states of North Eastern Region of India.

9. The share of Account and loan disbursement in N.E states increased in the all categories during 2015-2022 is not encouraging. Government should focus more on N.E states as the states are not entrepreneurially rich traditionally.
10. Assistance should be increased in other categories also in the years to come as more finance will be required to a established business. But proper guidelines should be followed in provided the second term assistance or the banks will follow up with NPA.
11. It will be early to access the outstanding loan amount as it has been only 7 years of loan disbursement. But the Government should closely monitor the recovery status of the loan amounts for continuance of the scheme.

CONCLUSION

Due to PMMY there is a bigger change in the area of micro finance. This scheme has promoted competition in giving credit support to the weaker section, low income group and the unfunded population. Efforts are needed to invite more credit or loan disbursement. Financial inclusion through PMMY has increased the opportunities for credit requirement and refinance. If the plan is carry forwarded with proper and scientific monitoring, it shall work as a game changer financial inclusion initiative of Government of India and shall accelerate the economic growth rate of the nation.

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