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## Research Paper

## PROGRESS OF MUDRA WITH SPECIAL REFERENCE TO TAMIL NADU

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### ABSTRACT

**M**icro, small and medium enterprises is a vibrant, dynamic and fastest growing sector of Indian economy in complementary with the large industries. They are enormously contributing towards the socio-economic development of the country. The MSME sector contributes about 8% to GDP besides 45% to total manufacturing output, 40% to exports from country and provides employment to over 80 million people. In this background a need for a bank which exclusively supports the micro units was initiated and introduced which can support entrepreneurship and fulfill the financial needs of these units. MUDRA is an effort to 'fund the unfunded' like how microfinance has been to 'bank the unbanked'. The paper aims to understand the Mudra yojana and its significance; to examine the progress of Mudra and to analyse the pattern and amount of loans advanced to Tamil Nadu. To conclude this PMMY which is a good initiative from the part of government to encourage entrepreneurs is going to bring about a dramatic change in the MSME sector. If the partner institutions support this MUDRA yojana in same spirit as in the year 2015–16, MUDRA hopes to achieve higher target.

**KEYWORDS:** MUDRA, Micro, small and medium enterprises, Small Business

### INTRODUCTION

Micro, small and medium enterprises is a vibrant, dynamic and fastest growing sector of Indian economy in complementary with the large industries. They are enormously contributing towards the socio-economic development of the country. The MSME sector contributes about 8% to GDP besides 45% to total manufacturing output, 40% to exports from country and provides employment to over 80 million people. The sector comprises of small manufacturing units, shopkeepers, fruits / vegetable vendors, truck & taxi operators, food-service units, repair shops, machine operators, small industries, artisans, food processors, street vendors and many others who are referred as Non Corporate Small Business sector. But constraints faced by these sectors are the low access to finance, Skill Development Gaps, Knowledge Gaps, Infrastructure

Gaps and Lack of Market Development. This is due the reason many small industries are unregulated and informal and are not covered by the banking channels; since they do not maintain proper books of accounts and not formally covered under taxation also. Therefore, the banks find it difficult to lend to them. So they depend on friends and relatives or money lenders for the financial assistance. In this background a need for a bank which exclusively supports the micro units was initiated and introduced which can support entrepreneurship and fulfill the financial needs of these units. MUDRA has been formed with primary objective of developing the micro enterprise sector in the country by extending various supports like financial support in the form of refinance and entrepreneurial assistance. MUDRA is an effort to 'fund the unfunded' like how microfinance has been to 'bank the unbanked'.



## OBJECTIVES

The objective of the study is

1. To understand the Mudra yojana and its significance
2. To examine the progress of Mudra
3. To analyse the pattern and amount of loans advanced to Tamil Nadu

## METHODOLOGY

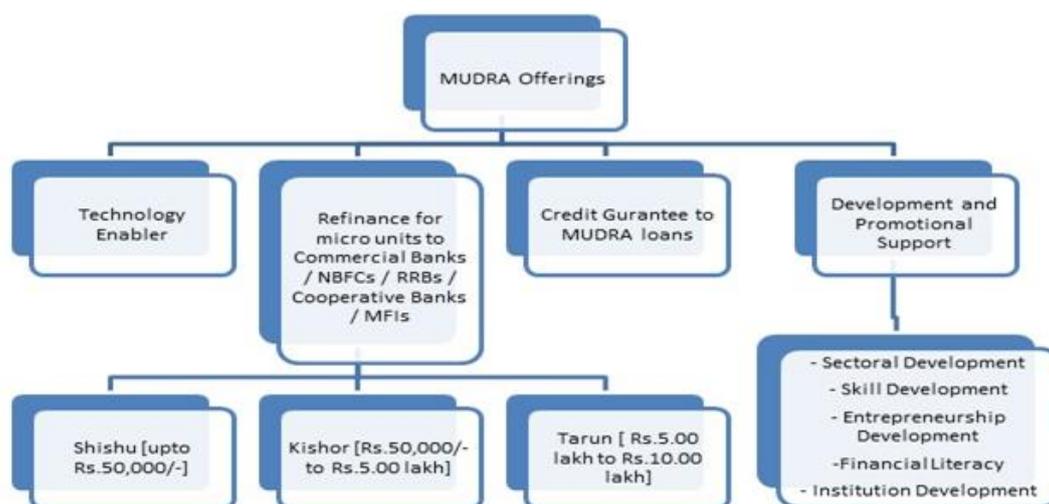
The data have been collected from secondary sources like books, journals, magazines, websites and reports of Mudra bank. The data have been analysed using simple percentage.

## OVERVIEW OF MUDRA

MUDRA, which stands for Micro Units Development & Refinance Agency Ltd, is a financial

institution set up by Government of India for development and refinancing micro units' enterprises. The purpose of MUDRA is to provide funding to the non-corporate small business sector through various like Banks, NBFCs and MFIs. It has been registered as a Company in March 2015 under the Companies Act 2013 and as a Non-Banking Finance Institution with the RBI on 07 April 2015. It has been initially formed as a wholly owned subsidiary of Small Industries Development bank of India (SIDBI) with 100% capital being contributed by it. Presently, the authorized capital of MUDRA is 1000 crores and paid up capital is 750 crore, fully subscribed by SIDBI.

### Offerings and Functions of MUDRA



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

MUDRA's delivery channel is conceived to be through the route of refinance primarily to Banks/ NBFCs/MFIs and they are have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also to provide a reference point for the next phase of graduation / growth to look forward to. The funding support from MUDRA is of four types:

- Micro Credit Scheme (MCS) for loans up to Rs.1 lakh finance through MFIs. The mode of delivery through groups like SHGs/JLGs, the loans are given to the individuals for specific income generating micro enterprise activity. The MFIs for availing financial support need to enroll with MUDRA by complying with some of the requirements as notified by MUDRA, from time to time.
- Refinance Scheme for Commercial Banks / Regional Rural Banks (RRBs) / Scheduled Co-operative

Banks. It is available for term loan and working capital loans, up to an amount of 10 lakh per unit. The eligible banks, which have enrolled with MUDRA by complying with the requirements as notified, can avail of refinance from MUDRA for the loan issued under Shishu, Kishor and Tarun categories.

- Women Enterprise programme to encourage women to take up entrepreneurship
- Securitization of loan portfolio - MUDRA also supports Banks / NBFCs / MFIs for raising funds for financing micro enterprises by participating in securitization of their loan assets against micro enterprise portfolio, by providing second loss default guarantee, for credit enhancement and also participating in investment of Pass Through Certificate (PTCs) either as Senior or Junior

The target clients of MUDRA are any Indian Citizen who has a business plan for a non-farm income

generating activity such as manufacturing, processing, trading or service sector whose credit need is less than 10 lakh can approach either a Bank, MFI or NBFC for availing of MUDRA loans under PMMY.

### Scope of PMMY

Pradhan Mantri Mudra Yojana (PMMY) loans will be extended by all Public Sector Banks such as PSU banks, Regional Rural Banks (RRBs), Cooperative Banks, Private Sector Banks, Foreign Banks, Micro Finance Institutions and Non-Banking Finance Companies. All loans sanctioned on or after April 08, 2015 upto a loan size of 10 lakh for non-farm income generating activities will be branded as PMMY loans.

### MUDRA Card

MUDRA Card is a debit card issued against the MUDRA loan account, for working capital portion of the loan. The borrower can make use of MUDRA Card in multiple withdrawal and credit, so as to manage the working capital limit in a most efficient manner and keep the interest burden minimum. MUDRA Card will also help in digitalization of MUDRA transactions and creating credit history for the borrower. National Payment Corporation of India (NPCI) has given RuPay branding to MUDRA Card and also separate BIN / IIN for the same, by which credit history can be tracked. MUDRA Card can be operated across the country for withdrawal of cash from any ATM / micro ATM and also make payment through any 'Point of Sale' machines.

## PROGRESS OF MUDRA IN INDIA

**Table 1 - Refinance under PMMY during 2015-16**

Institutions	Amount sanctioned [Rs. in Crore]	Amount disbursed [Rs. in Crore]
RRB	239.25	239.25
Commercial banks	2432	2432
MFIs	812	616
Investment PTC (Securitisation)	49.96	49.96

It is understood from the above table that MUDRA has refinanced to RRBs, Commercial banks, MFIs and Investment PTC with Rs. 239.25, Rs 2432, Rs 812 and Rs 49.96 crores respectively. Of which the

maximum refinance is to commercial banks followed by MFIs and RRBs. The amount sanctioned to MFIs has been found to be Rs.812 and the amount disbursed has been Rs.616 crores in the year 2015-16

**Table 2 - Financing for New entrepreneurs under PMMY during 2015-16**

Institutions	No. of accounts	%	Amount disbursed in crores	%
Public sector banks	38,22,226	30.66	35,463.13	60.20
Private sector banks	17,77,400	14.24	8,000.88	13.58
RRB	7,20,430	5.77	5,088.39	8.64
NBFC MFI	60,49,094	48.49	10,213.16	17.34
Non NBFC MFI	1,05,518	0.84	142.52	0.24
<b>Total</b>	<b>1,24,74,668</b>	<b>100.00</b>	<b>58,908.08</b>	<b>100.00</b>

It is evident from the above table that financing for new entrepreneurs in terms of number of accounts has been through the NBFC MFIs at 48.49% followed by public sector banks at 30.66% and then private sector

banks at 14.24 %. Though the number of accounts for financing new entrepreneurs has been through the NBFC MFIs the maximum amount disbursed has been through Public sector banks which stood at 60.20%.

**Table 3 - Financing of Women under PMMY during 2015-16**

Institutions	No. of accounts	%	Disbursement amount in crores	%
Public sector banks	14,75,907	5.34	10,352.09	16.39
Private sector banks	21,53,790	7.79	6,450.74	10.21
RRB	2,92,127	1.06	2,462.19	3.89
NBFC MFI	2,29,62,461	83.12	42,047.05	66.54
Non NBFC MFI	7,43,980	2.69	1,878.36	2.97
<b>Total</b>	<b>2,76,28,265</b>	<b>100.00</b>	<b>63190.43</b>	<b>100.00</b>

Table 3 indicates that the financing for women under PMMY during 2015-16 has been through the NBFC

MFIs both in terms of number of accounts and amount disbursement at 83.12% and 66.54% respectively.

**Table 4 - Disbursement to Minorities under PMMY during 2015-16**

Institutions	No. of accounts	%	Disbursement Amount in crores	%
Public sector banks	4,98,634	12.19	5,313.69	39.18
Private sector banks	4,48,106	10.96	2,122.73	15.65
RRB	1,47,011	3.59	1,424.18	10.51
NBFC MFI	29,20,382	71.44	4,580.73	33.78
Non NBFC MFI	74,077	1.82	118.97	0.88
<b>Total</b>	<b>40,88,210</b>	<b>100.00</b>	<b>13,560.30</b>	<b>100.00</b>

Table 4 reveals the number of accounts by minorities under PMMY during 2015-16 has been mainly through NBFC MFIs at 71.11% and amount of disbursement to minorities has been maximum through public sector banks at 39.18%.

**Table 5 - Target for the financial year 2016-17**

Institutions	Target amount in crores
Public sector banks	77,700
Private sector banks	21,000
RRB	15,000
NBFC MFI	64,240
Non NBFC MFI	2,060
<b>Total</b>	<b>1,80,000</b>

The overall performance of the Yojana indicates that the target has been achieved during the year. As against the target of Rs.122188 crores in 2015-16, the Banks and MFIs together have disbursed Rs.132954.73 crores, thereby achieving 109%. The achievements by

Public Sector Banks indicate a substantial credit growth in this segment. The other lending institutions have also achieved high credit growth in this segment due to the initiative of Pradhan Mantri MUDRA Yojana.

### PROGRESS IN TAMIL NADU

**Table 6 - Number of loans sanctioned under PMMY in Tamil Nadu**

Loans	2015-16	%	2016-2017 (Progress as on 13/01/2017)
Shishu	45,06,237	94.24	30,94,132
Kishor	2,34,824	4.92	1,42,854
Tarun	40,506	0.84	14,371
<b>Total</b>	<b>47,81,567</b>	<b>100</b>	<b>32,51,357</b>

It is understood from the above table that the maximum loans have been sanctioned through Shishu (limit Rs.50,000) scheme at 94.24% which indicates many small units have been benefitted under the scheme

followed by Kishore and Tarun. The number of loans sanctioned under Tarun scheme has been decreasing during the year 2016-17.

**Table 7 - Amount of loan sanctioned under PMMY in Tamil Nadu**

[Rs. in Crore]

Loans	2015-16	%	2016-2017 (Progress as on 13/01/2017)
Shishu	8252.46	52.07	6689.25
Kishor	4398.88	27.76	2274.60
Tarun	3194.80	20.17	1115.59
<b>Total</b>	<b>15846.14</b>	<b>100.00</b>	<b>10079.44</b>

It is understood from the above table that 52.07% of loan amount has been sanctioned under shishu scheme followed by kishor and Tarun at 27.26% and 20.17% respectively during 2015-16. The amount of

loan sanctioned under PMMY in Tamil Nadu during the year 2016-17 has been showing a slight decrease when compared with that of 2015-16.

**Table 8 - Amount of loans disbursed under PMMY in Tamil Nadu****[Rs. in Crore]**

Loans	2015-16	%	2016-2017 (Progress as on 13/01/2017)
Shishu	8231.68	53.11	6677.62
Kishor	4282.07	27.64	2191.18
Tarun	2983.11	19.25	1074.83
<b>Total</b>	<b>15496.86</b>	<b>100.00</b>	<b>9943.63</b>

It is evident from the above table that the amount of loan disbursed to Tamil Nadu under PMMY during 2015-16 has been maximum through the Shishu scheme and same in case during 2016-17.

### FINDINGS AND CONCLUSION

Findings of the study are

1. It is found that the MFIs have contributed substantially to the number of accounts financed under the PMMY.
2. It is evident that out of 3.49 crore accounts financed during the year, 1.25 crore accounts were for new entrepreneurs, which work out to 36%.
3. MFIs contributed significantly for the financing women under PMMY.
4. It is understood that 2.76 crore women were funded out of the total number of 3.48 crore accounts, which is a whopping 79%.
5. It is found that the Banks and MFIs have been extending the maximum loans under PMMY for minorities as indicated that 40.88 lakh accounts were of minorities, which is nearly 12%.
6. It is evident that out of total sanction of loans under different scheme 13.7% has been to Tamil Nadu
7. The total number of card issued during the year 2015-16 was at 5.17 lakh for an amount of Rs.1476.96 cr.

### CONCLUSION

To conclude this PMMY which is a good initiative from the part of government to encourage entrepreneurs and fund the unfunded is going to bring about a dramatic change in the MSME sector. Many initiatives have been taken by MUDRA to create awareness about loans for micro enterprises and to enhance the number of loans sanctioned - especially, those under *Shishu* category by organizing credit camps across the country. In 2016-17, the government has set a disbursement target of Rs.1,80,000 crore – an increase of 47.3 % over the target set for the year 2015-16 and 35.4% above the achievement. If the partner institutions support this MUDRA yojana in same spirit as in the year 2015-16, MUDRA hopes to achieve this target too.

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