

## **A Study On The Progress of Mudra in Tamil Nadu**

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### **Abstract :**

*The purpose of the article is to understand the mudra of yojana and its meaning; study the progress of the Mudra and analyze the structure and number of loans issued by Tamil Nadu. The study concluded that 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 has 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 2017-18, the government has set a disbursement target of Rs.1,81,000 crore - an increase of 47.8% over the target set for the year 2016-17 and 35.9% 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.*

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

### **1. Introduction :**

Micro, small and medium-sized enterprises are a dynamic, dynamic and rapidly growing sector of the Indian economy in addition to large industries. They

make a huge contribution to the socio-economic development of the country. The MSME sector provides about 8% of GDP, in addition to 45% of total production, 40% of exports from the country and provides employment for more than 80 million people. The sector consists of small manufacturing units, shopkeepers, fruit / vegetable suppliers, truck and taxi operators, catering, repair shops, machine operators, small businesses, artisans, street vendors and many others who are called non-corporate Small business sector. But the barriers these sectors face are poor access to finance, gaps in skills development, gaps in knowledge, gaps in infrastructure and lack of market development. This is due to the fact that many small industries are unregulated and informal and are not covered by banking channels; since they do not keep proper books and are not subject to official taxation. Therefore, it is difficult for banks to lend them. Therefore, they depend on friends and relatives or lenders for financial assistance. Against this background, the need for a bank that supports exclusively micro-organisms, which can support entrepreneurship and satisfy the financial needs of these units, was initiated and introduced. MUDRA was created with the main goal of developing the country's micro-enterprise sector by providing various types of support, such as financial support in the form of refinancing and entrepreneurial assistance. MUDRA is an attempt to "finance unsecured funds", for example, how microfinance was aimed at "securing an unsecured bank".

## 2. Literature Review :

Rudrawar, M.A.A. & Uttarwar, V. R. (2016) has said that mudra can be a game changer in the economy of India. It will bring desired changes in the economy. The loan proceedings should be easy with less documentation which will turn out to be fruitful. In the near future mudra will play a vital role for development of entrepreneurship, increasing employment as well as increasing GDP.

Meher L. (2014) has displayed that as a part of financial inclusion new innovations like E-banking, Mobile banking, ultra-small branches, etc. has increased drastically in last few years in India.

J .Venkatesh and Ms. R. Lavanya Kumari (2017) has explained that there have been many schemes introduced for overall growth and development of various sectors. Major schemes have been introduced for Medium and Small enterprises.

This will increase in the employment level and also contributed in the growth of the economy of India.

R. Rupa (2007) has found out that micro finance institutions have played a major role in increasing the number accounts under MUDRA loans. She also showed that the scheme was successful in the state of Tamil Nadu.

Verma S. (2015) has showed that MUDRA loans has been the most beneficial to new entrepreneurs as well as the youth of the country. It is designed to remove the problems of medium and small enterprises.

Roy, Anup Kumar (2016) has found out that major contribution in the development of economy has been given by medium and small enterprises. Thus, it is very essential to give Boost to medium and small enterprise sector. In past few years sept have been taken to encourage these sectors in India.

Agarwal & Ritesh D. (2017) has found out that PMMY has been very useful to take the economy of India towards development. The scheme has turned out to be very beneficial for new entrepreneurship, and financing women. It will out to be a game changer in Indian economy with the help of Government of India (GOI) .

### **3. Objectives :**

The objectives of the study are 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.

### **4. 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.

### **5. Overview of MUDRA :**

MUDRA, which stands for Micro Units Development & Refinance Agency Ltd, is a financial institution created by the Government of India to develop and refinance microblock enterprises. The goal of MUDRA is to provide financing to

the non-corporate sector of small business through various banks, NBFIs and MFIs. It was registered as a Company in March 2015 in accordance with the Companies Act 2013 and as a Non-Banking Financial Institution with RBI on April 7, 2015. It was originally established as a subsidiary of the Small Business Development Bank of India (SIDBI) with 100% investment. Currently, the authorized capital of MUDRA is 1,000 crore, and the paid-up capital is 750 crore, fully signed by SIDBI.

**MUDRA Mission :**

To create an inclusive, sustainable and value based entrepreneurial culture, in collaboration with our partner institutions in achieving economic success and financial security.

**MUDRA Vision :**

To be an integrated financial and support services provider par excellence benchmarked with global best practices and standards for the bottom of the pyramid universe for their comprehensive economic and social development.

**Offerings and Functions of MUDRA :**

Majorly 3 schemes are offered, which are as follows :

- Shishu : covering loans upto 50,000/-
- Kishor : covering loans above 50,000/- and upto 5 lakh
- Tarun : covering loans above 5 lakh and upto 10 lakh

It is assumed that the MUDRA delivery channel passes through the refinancing route, primarily to the Banks / NBFIs / MFIs, and they were named “Shishu”, “Kishor” and “Tarun” to indicate the stage of growth / development and the need for financing of the beneficiary. micro-unit / entrepreneur, as well as provide guidance for the next stage of graduation / growth, to look forward to. The funding support from MUDRA is of four types :

- Microloan Scheme (MCS) for loans of up to Rs. 1,000 financed through MFIs. The method of delivery through groups such as SHGs / OGS, loans

are issued to individuals to obtain a certain income, which brings income to the micro-enterprise. To receive financial support, MFIs must register with MUDRA to meet certain requirements periodically reported by MUDRA.

- Refinancing scheme for commercial banks / regional rural banks (RRB) / planned cooperative banks. It is available for urgent loans and loans for working capital replenishment in the amount of up to 10 lakh per unit. Eligible banks that have registered with MUDRA, having fulfilled the requirements specified in the notice, can take advantage of refinancing from MUDRA for a loan issued in the categories of Shishu, Kishor and Tarun.
- Women's Entrepreneurship Program, designed to encourage women to become entrepreneurship.
- Securitization of the loan portfolio - MUDRA also supports banks / NBFIs / MFIs to raise funds to finance microenterprises, participating in the securitization of its loan assets in relation to the portfolio of microenterprises, providing a guarantee of outstanding losses, to strengthen the loan, as well as participating in the investment Pass-through certificate (PTCs) as an older or younger.

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 provided by all public sector banks, such as PSU banks, regional rural banks (RRBs), cooperative banks, private sector banks, foreign banks, microfinance institutions, and non-bank financial companies. All loans authorized on or after April 8, 2015, in the amount of up to 10 Lakh for non-agricultural income-generating activities, will be marked as PMMY loans.

## 6. Progress of MUDRA in India :

### MUDRA Card :

MUDRA Card is a debit card issued to a MUDRA credit account to replenish working capital. The borrower can use the MUDRA card for multiple withdrawals and obtaining a loan in order to manage the working capital limit as efficiently as possible and minimize the interest load. The MUDRA Card will also help in digitizing MUDRA transactions and creating a credit history for the borrower. The National Payment Corporation of India (NPCI) has assigned the RuPay marker a MUDRA card, as well as a separate BIN / IIN for it, by which you can track your credit history. The MUDRA card can be managed all over the country to withdraw cash at any ATM / micro-ATM, as well as make payments through any “point of sale” ATMs.

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

<b>Institutions</b>	<b>Amount sanctioned [Rs. in Crore]</b>	<b>Amount disbursed [Rs. in Crore]</b>
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**

<b>Institutions</b>	<b>No. of accounts</b>	<b>%</b>	<b>Amount disbursed in crores</b>	<b>%</b>
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**

<b>Institutions</b>	<b>No. of accounts</b>	<b>%</b>	<b>Disbursement amount in crores</b>	<b>%</b>
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>63,190.43</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**

<b>Institutions</b>	<b>No. of accounts</b>	<b>%</b>	<b>Disbursement amount in crores</b>	<b>%</b>
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 2017-18**

<b>Institutions</b>	<b>Target amount in crores</b>
Public sector banks	77,700
Private sector banks	21,000
RRB	15,000
NBFC MFI	65,240
Non NBFC MFI	2,060
<b>Total</b>	<b>1,81,000</b>

The overall performance of the Yojana indicates that the target has been achieved during the year. As against the target of Rs.1,22,188 crores in 2015-16, the Banks and MFIs together have disbursed Rs.1,32,954.73 crores, thereby achieving 109%.

## **7. Progress in Tamil Nadu :**

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.

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

<b>Loans</b>	<b>2016-17</b>	<b>%</b>	<b>2016-2017 (Progress as on 13/01/2017)</b>
<b>Shishu</b>	45,06,237	94.24	30,94,132
<b>Kishor</b>	2,34,824	4.92	1,42,854
<b>Tarun</b>	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]**

<b>Loans</b>	<b>2016-17</b>	<b>%</b>	<b>2017-2018 (Progress as on 13/01/2018)</b>
<b>Shishu</b>	8252.46	52.07	6689.25
<b>Kishor</b>	4398.88	27.76	2274.60
<b>Tarun</b>	3194.80	20.17	1115.59
<b>Total</b>	<b>15846.14</b>	<b>100</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]**

<b>Loans</b>	<b>2016-17</b>	<b>%</b>	<b>2017-2018 (Progress as on 13/01/2017)</b>
<b>Shishu</b>	8231.68	53.11	6677.62
<b>Kishor</b>	4282.07	27.64	2191.18
<b>Tarun</b>	2983.11	19.25	1074.83
<b>Total</b>	<b>15496.86</b>	<b>100</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.

### 8. Findings and Conclusion :

Findings of the study are (i) It is found that the MFIs have contributed substantially to the number of accounts financed under the PMMY, (ii) 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%, (iii) MFIs contributed significantly for the financing women under PMMY, (iv) 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%, and (v) 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%.

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 has 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 2017-18, the government has set a disbursement target of Rs.1,81,000 crore - an increase of 47.8% over the target set for the year 2016-17 and 35.9% 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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