

MUDRA Performance in Karnataka

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Abstract

As the startup era has emerged in India, it has evidently become a source of employment to a huge population. Among the many myths that control the beliefs of our country, it is believed large industries provide better employment options whereas, as per statistics an approximation of 12 crore people bases their livelihood on these small-scale units and enterprises. These small-scale industries and startups play a major role in increasing the living standards of our population especially rural India. Further studies have shown how with the right aid and resources these MSMEs can add value to the economic conditions of our country. Various policies have been brought in by the current government to encourage these MSMEs, and MUDRA (Micro units Development and Refinance Agency) is another milestone to ensure that these units are provided with the sufficient funds required to fund these units. Hence, this paper mainly focuses on the importance and the need to utilize the benefits of this policy specifically in Karnataka. In this paper we accentuate that these facilities are available and are accessible at any bank to provide financial aid to the unskilled and uneducated population.

Key words: *India, Employments, MSMEs, MUDRA, Karnataka*

I. Introduction

Micro Units Development & Refinance Agency Limited (MUDRA) was embarked on 8th April 2015 by Shri Narendra Modi, the Hon'ble Prime Minister to ensure that manufacturing, trading, processing and services sector activities are securely financed. The Department of Financial Services (DFS) issued guidelines in Pradhan Mantri MUDRA Yojana (PMMY) to lend loans up to 10 Lakhs. Since there are multiple Micro Finance Institution's as MUDRA partners, it was decided that regular banks shall provide small scale entrepreneurs with required financial needs which will boost the economy of India.

II. Review of Literature

(Shahid & Irshad, 2016) "A Descriptive Study on Pradhan Mantri MUDRA Yojana(PMMY)" written by Mahammad Shahid and Muhammad Ishrad attempts to understand the working of the MUDRA bank. It is noticed that the primary beneficiaries of the MUDRA loan would be the small-scale manufacturing units and self-employed individuals in the growing parts of India. The government is trying to focus on the upcoming sections of the society. It would help the small-scale businesses to expand their activities and help the younger generation to increase their confidence and motivate them to take up new and economic ventures.

(Bakshi & Chawla, 2016) "MUDRA Yojana- new wings for the growth of small entrepreneurs", written by Kamna Bakshi and Shilpa Chawla, relates to MFIs and how they are regulated and the various policy guidelines by which it functions efficiently. It can be concluded that this scheme that has come up in recent

times, has proven to be helpful to the organisations and individuals who are poor in finance. It is also seen that there are special benefits given under this scheme such as no collateral securities and no processing fee to encourage the borrowings from these sections of the society. These loans are therefore, made easily available and cheap.

(Agarwal, 2017)“Pradhan Mantri MUDRA Yojana-a critical review”, written by Manish Agarwal and Ritesh Dwivedi, it is noticed that this scheme has been bringing in finance where it needs it the most, such as the weaker sections of the society, unfunded population, etc. therefore, it is great initiative taken up by the government of India. But since it is fairly a new scheme, there are still some things to be taken of. These include extension of the minority sector, use of mudra card, etc. if these small and minor drawbacks can be taken care of, it is definite that MUDRA will soar up in the coming years and increase the growth of our economy, while helping various sections of our society fulfil their financial needs to come up in life.

(Prakash & Devaki, 2018)“A study of MUDRA in Tamil Nadu” written by M.Prakash, focuses on the various areas of Pradhan Mantra MUDRA Yojana, and analyse its performance. It was noticed from the studies that the MUDRA scheme is helping to boost up the small and micro scale industries. It would help aspiring entrepreneurs to make their place in this competitive world. It will be a very useful tool in the early stages of the growth of the economy and help converting it into a developed economy.

(Mahajan, 2018)“An analysis of performance and impact of MUDRA Yojana under PMMY in the year 2016”, written by Mr. Mahajan, attempts to find the impact of the scheme on the small business and small entrepreneurs. It has been noticed that this has been well accepted in the financial sector of the economy. It would play a big hand in bringing up the backward sections of the society as well. It also has contributed in the field of women empowerment successfully. This scheme is expected to take up full growth in the coming years and helping as many people of the economy as it potentially can.

III. Research Methodology

a. Statement of the problem

Recent studies state that the Indian economy is financially unstable. There is need for more finance in the rural and urban areas of the country to improve the present condition. Since there is need, MUDRA loans have been introduced. An analysis is conducted in this paper to understand the implications of MUDRA in the financial situation in Karnataka.

b. Objectives of the study

- To analyse the performance of Micro Units Development & Refinance Agency loan schemes in Karnataka.
- To study the working of Micro Units Development & Refinance Agency in Association of Small-Scale Industries.
- To analyse the working efficiency of Micro Units Development & Refinance Agency.

c. Scope of the study

The paper highlights the different small-scale industries that are associated with MUDRA and how MUDRA has helped to increase their performance for the past three years in Karnataka.

d. Research Methodology

The nature of this study is descriptive about the working and facilitation of Micro Units Development and Refined Agency and exploratory as the paper strives to define a relationship between the Micro Finance Institutions and Micro, Small and Medium Enterprises.

e. Data Collection and tools used

The reliability of this paper is based upon secondary mode of data collection. The facts and figures stated have been gathered from various websites, articles, journal articles and from MUDRA official website. The basic tools used to represent the data pie chart and bar graph.

f. Hypothesis

The study attempts to establish an interconnection between Micro-Finance Institutions and Micro, Small and Medium Enterprises. Therefore, simple hypothesis is used to state the relationship.

a. Limitations

- Bank rates of 10 Banks have been only provided for the study due to unavailability of data.
- Lack of previous studies in research area.

IV. Overview of MUDRA

MUDRA was introduced to provide the SMEs in India with a financial support and a better position to sustain themselves with larger players. Small businesses, societies, small banks, schedules commercial banks, trust sec 8 companies and rural banks refinance all the financiers or financial institutions by the MUDRA, so that money can be lent to SMEs for their trading and manufacturing purposes. MUDRA's vision aims to yield excellent financial and support services with the best execution for those under the lower strata of the society for their social and economic development. Also MUDRA's mission is to deliver sustainable and a valuable entrepreneurial environment with the help of the Government and Small Industries Development Bank of India.

MUDRA loan is identified under three categories which are shown as below:

- **SHISHU:** These loans are sanctioned specifically to provide the young entrepreneurs with financial aid. Shishu loan limit is up to Rs. 50000.
- **KISHORE:** These loans are authorized up to Rs.5 Lakh and not below Rs.50000 for those who are already having their business for some period of years.
- **TARUN:** They are authorized for loans amounting to more than Rs. 5 Lakhs and not below Rs. 10 Lakhs for those who want to grow their small business into larger enterprises.

Loans	Loan Amount	Interest Rate	Repayment Period
Shishu	Upto 50000	1%-12%	5 years
Kishore	50001-500000	Depends on bank	Depends on bank
Tarun	500001-100000	Depends on bank	Depends on bank

(source: mudra.org)

Comparison between Small Loan scheme and MUDRA:

The National Backward Classes Finance and Development Corporation have introduced a small loan scheme for the individuals and corporations that are in need of funds for small businesses. This has been implemented on 13th January 1992 through state channelizing agencies and also, some banks. There is a maximum limit for each beneficiary of Rs.60,000. From time to time the Government notifies the Backward Classes who are living under the double poverty line who are only allowed to the benefit from the same. The family income of the applicant of this scheme must be below Rs.3,00,000.

MUDRA is different from the Small Loan scheme. To the non-corporate and non-agricultural sector MUDRA provides loans to small-scaled enterprises whose financial needs are below Rs. 10 Lakh. The main reason MUDRA loans are becoming popular are because they provide loans upto Rs.10 lakhs even for new businesses. The loans in this case are also collateral free, unlike Small Loan schemes.

MUDRA contributes more in building up the economy as compared to small loan schemes. MUDRA lends a hand to improve the condition of women in our society, whereas small loan scheme focuses only helping the backward classes. From recent studies its seen that MUDRA has a stronger and stable framework when compared to small loan scheme.

The rates of interest under the MUDRA yojana are comparably lower than the rates under small loan scheme, along with that they provide MUDRA cards. MUDRA loans are expected to benefit 58 million small entrepreneurs and businesses, which is a great deal in our economy.

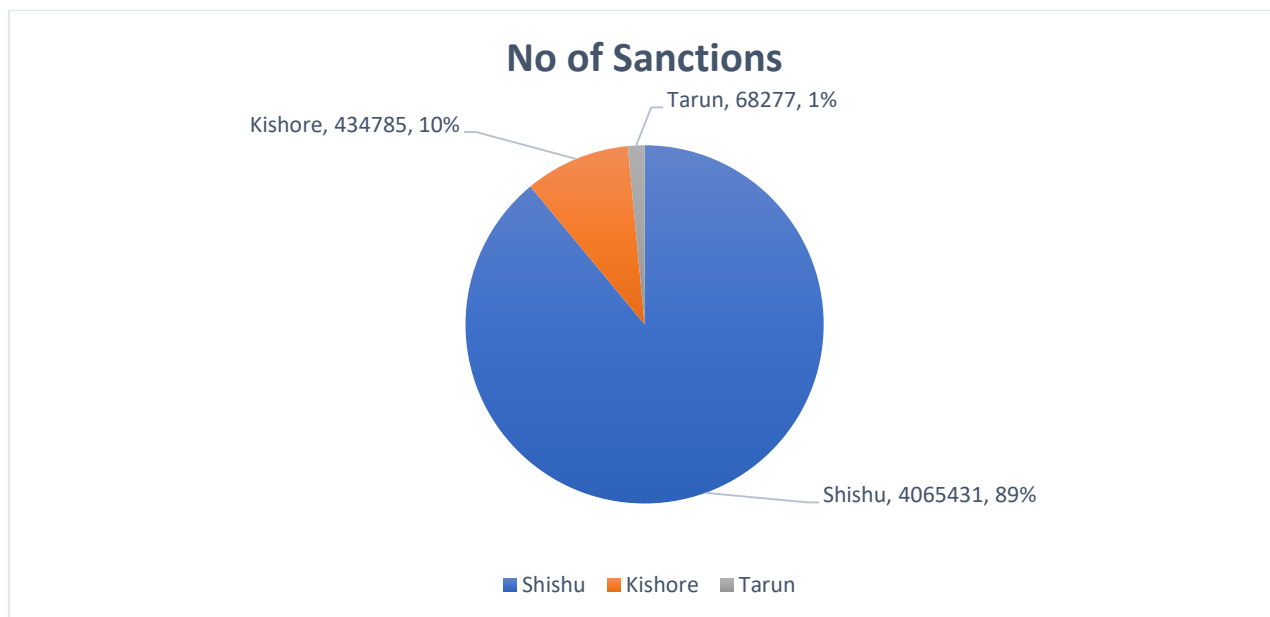
V. Data Analysis and Interpretation.

a. Data Analysis: Pradhan Mantri MUDRA Yojana Karnataka (2017-18) (Rs. In crores)

Shishu (Loan upto Rs. 50,000)			Kishor (Loan upto Rs.50001 to Rs.5 Lakh)		
No. Of Sanctions	Sanction Amount (Rs)	Disbursement Amount (Rs)	No. Of Sanctions	Sanction Amount (Rs)	Disbursement Amount (Rs)
40,65,431	1,04,87,114	10,351.83	4,34,785	7,382.66	7,177.23

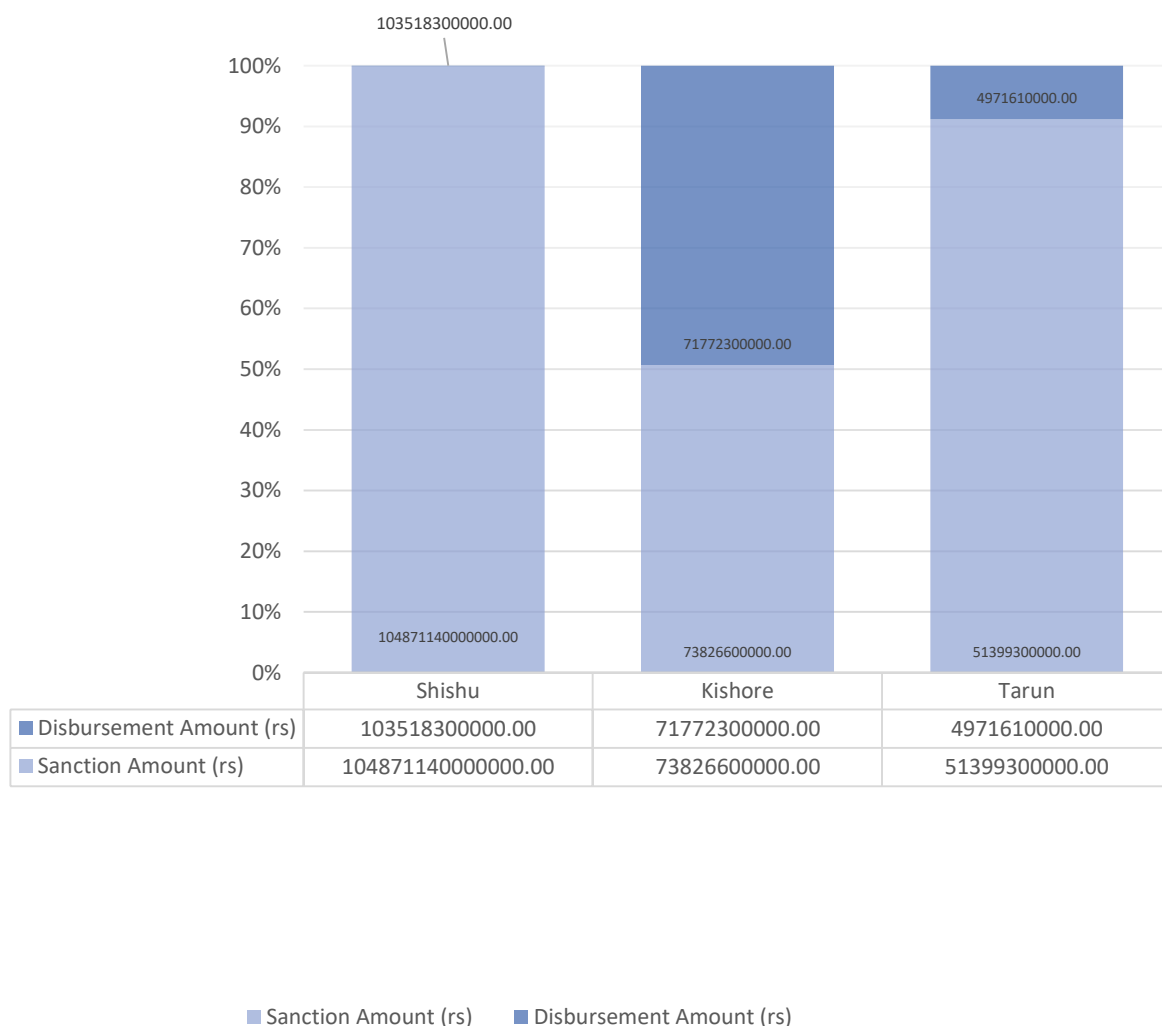
Tarun (Loans from Rs. 5 Lakh to 10 Lakh)			Total (Shishu+Kishor+Tarun)		
No. Of Sanctions	Sanction Amount (Rs)	Disbursement Amount (Rs)	No. Of Sanctions	Sanction Amount (Rs)	Disbursement Amount (Rs)
68,277	5,139.93	497.161	45,68,493	23,009.73	22,500.67

(source: Pradhan Mantri MUDRA Yojana site)



(Rs. In crores)

SACNTION AND DISBURSEMENT AMOUNT



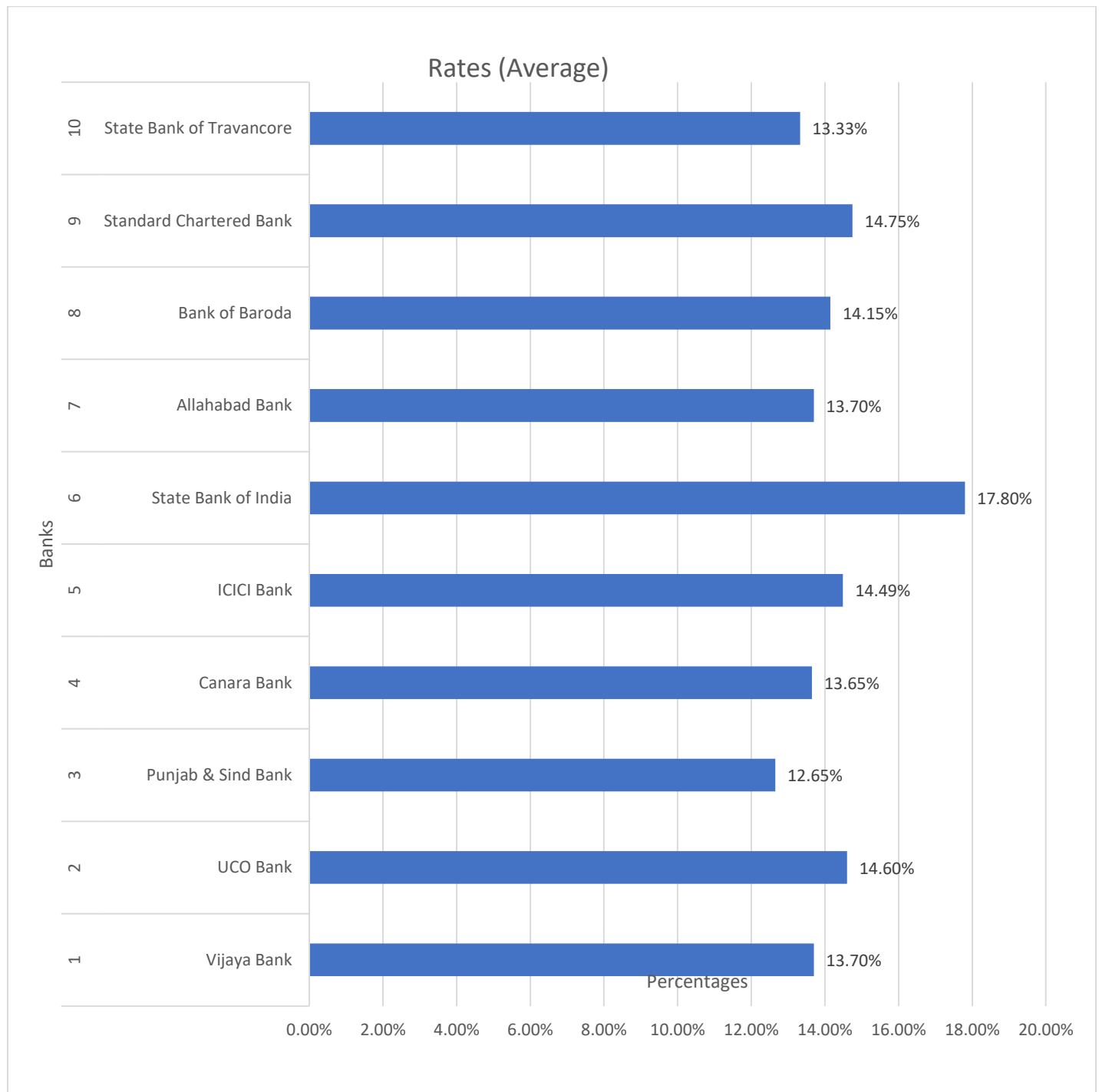
(source: Pradhan Mantri MUDRA Yojana site)

b. Interpretation: Pradhan Mantri MUDRA Yojana Karnataka (2017-18)

In the above graphs for 2017-18 the pie chart represents the number of accounts sectioned under each category. With a lead of 4065431 Shishu loan was sanctioned in the year 2017-18. Followed by 434785 number of accounts was sanctioned by the PMMY for the Kishore Loan and finally with the least amount of sanctions for Tarun with 68277 accounts sanctioned in the year 2017-18.

The second graph makes a comparison between the Sanctioned amount and the Disbursement amount. For Shishu a huge amount of loans was sanctioned, 10487114 crore to be exact but only some amount of the total was disbursed for the borrowers that is around 10351.83 crore, where as in the case of Kishore the total sanctioned amount was 7382.66 crore but the disbursed amount was 7177.23 crore. In the Tarun category the total amount sanctioned was 5139.93 crore but the disbursed amount was equal to 497.191 crore in the year of 2017-18.

c. Below are the ten banks in the state for MUDRA loans and rates.



(source: clear tax site)

d. Interpretations: Bank interest Rates

The above graph shows the comparisons between different banks that provide MUDRA loan in Karnataka and their current interest rates. We can see that the highest rate of interest is of State Bank of India at the rate of 17.08% and the least rate take is by Punjab and Sind Bank of 12.65%. The interest rates vary between 12% to 17%. These rates mainly vary due to the reason that these banks are given the right to choose their own interest rates for Kishore category and Tarun category.

e. Comparisons between Banks for the year 2015-16 and 2016-17 (Rs. In crores)

Bank Comparisons (All India Numbers) 2015-16									
Sl No.	Banks Name	Shishu		Kishor		Tarun		Total	
		No. of Accounts Sanctioned	Disbursed Amount (Rs)	No. of Accounts Sanctioned	Disbursed Amount (Rs)	No. of Accounts Sanctioned	Disbursed Amount (Rs)	No. of Accounts Sanctioned	Disbursed Amount (Rs)
1	Vijaya Bank	104914	268.93	47939	883.99	10614	738.83	163467	1891.75
2	UCO Bank	487650	614.78	67599	1037.88	7419	546.74	562668	2199.4
3	Punjab & Sind Bank	101041	95.93	7578	167.47	2641	202.45	111260	465.85
4	Canara Bank	546051	962.95	211849	4140.41	32454	2403.28	790354	7506.64
5	ICICI Bank	76331	211.81	42753	1463.04	31792	2246.66	150876	3921.51
6	State Bank of India	767264	977.62	178097	4859.2	86443	6444.36	1031804	12281.18
7	Allahabad Bank	107776	237.8	44503	920.9	7762	609.3	160041	1768
8	Bank of Baroda	171469	292.78	45574	875.69	7324	604.44	224367	1772.91
9	Standard Chartered Bank	0	0	0	0	29	2.72	29	2.72
10	State Bank of Travancore	11166	22.98	6261	149	2050	162.84	19477	334.82

Bank Comparisons (All India Numbers) 2016-17									
Sl No.	Banks Name	Shishu		Kishor		Tarun		Total	
		No. of Accounts Sanctioned	Disbursed Amount (Rs)	No. of Accounts Sanctioned	Disbursed Amount (Rs)	No. of Accounts Sanctioned	Disbursed Amount (Rs)	No. of Accounts Sanctioned	Disbursed Amount (Rs)
1	Vijaya Bank	49553	185.09	64295	1168.88	9301	713.22	123149	2067.19
2	UCO Bank	132061	257.96	5754	903.8	5426	399.79	195029	1561.55
3	Punjab & Sind Bank	11705	43.15	16728	338.56	4642	309.56	33075	691.27
4	Canara Bank	232338	790.03	156938	2799.09	21023	1592.95	410299	5182.07
5	ICICI Bank	337109	950.15	46774	1558.13	37085	2644.23	420968	5152.5
6	State Bank of India	789705	1005.32	248395	6538.54	116224	9038.05	1154324	116581.91
7	Allahabad Bank	42551	170.23	51009	1111.59	11764	876.97	105324	2158.78
8	Bank of Baroda	63828	224.32	87476	1648.6	12936	1069.1	164240	2942.02
9	Standard Chartered Bank	0	0	0	0	13	1.27	13	1.27
10	State Bank of Travancore	6935	22.76	9790	235.67	3110	253.46	19835	511.89

(source: PradhanMantri MUDRA Yojana site)

f. Interpretation: Comparisons between banks for the year 2015-16 and 2017-18

The above two tables show the comparisons between their Number of Accounts Sanctioned and the Total Disbursed Amount. Vijay Bank had a decrease from one year to another from Shishu but there is an increase in the Kishore category, whereas the disbursed amount in Tarun has reduced but the number of accounts sanctioned as decreased. UCO Bank has a drastic reduction from an overall of 562668 to 195029 number of

accounts and disbursed from Rs. 2199.4 crores to 1561.55 crores. Similarly, even Punjab & Sind Bank had a huge decrease from 111260 to 33075 accounts sanctioned and from Rs. 465.85 crores to Rs. 691.27 crores for disbursed amount. The main reason for this reduction is because Shishu category. Canara Bank has an overall decrease in every category, from 790354 to 410299 for the number of accounts sanctioned and the total amount disbursed is dropped from Rs. 7506.64 crores to Rs. 5182.07 crores. In ICICI Bank there has been an increase from 2015-16 to 2016-17. This is mainly because of the Shishu category, they sanctioned 76331 number of accounts in 2015-17 where as in the next year the number of accounts sanctioned is 337109. State Bank of India there is a rise but it is not that huge either, the overall performance of State Bank of India in 2015-16 is 1031804 number of accounts and the disbursed amount is Rs. 12281.18 crores. But in 2016-17 the overall performance of the bank is 1154324 accounts sanctioned and amount disbursed is Rs. 116581.91 crores. In Allahabad Bank the comparison shows that there is a reduction from 2015-16 to 2016-17. This is once again due to Shishu category there is a huge difference in the overall performance. Similarly, in Bank of Baroda there is a good difference between the two years, but it hasn't increased rather it has decreased. This is due to all of the categories. The number of accounts sanctioned in 2015-16 is 224367 and disbursed amount is Rs. 1768 crores and in 2016-17 the number of accounts sanctioned is 164240 and the disbursed amount is Rs. 2942.02 crores. Among all the banks, Standard Chartered Bank only provides loans from the Tarun category because of this their overall is very little compared to the other companies and also from 2015-16 to 2016-17 dropped from 29 to 13 accounts sanctioned and the disbursed amount dropped from Rs. 2.72 crores to Rs. 1.27 crores. State Bank of Travancore has an increase from 2016-16 to 2016-17 its mainly because of the Tarun category. In 2015-16 the number of accounts sanctioned are 19477 and amount disbursed is Rs. 334.82 crores where as in 2016-17 the total number of accounts issued is 19835 and the amount disbursed is Rs. 511.89 crores.

In 2015-16 and 2016-17 among the above 10 Banks, State Bank of India has been able to provide loans compared to other banks and whereas the bank that provided the least number of loans.

VI. Findings, Suggestions and Conclusion

a. Findings

Compared to the other states in India, Karnataka is the second highest to use the Pradhan Mantri MUDRA Yojana loan scheme to help grow and be able to support themselves. In the previous Financial period the total amount of accounts sanctioned was 4568493, the total amount sanctioned is Rs. 23009.73 crores and disbursed amount in the state is Rs. 22500.67 crores. PMMY expected for this scheme to grow throughout the country and help the small-scale industries with their growth. Compared to 2015-16 and 2016-17 the amount invested by banks has reduced drastically.

b. Suggestions

There should be more encouragement among the rural and poor to help them to grow not industry wise rather than with education for the children and for women to be able to help and run their own families. The sanctioned amount for Shishu and Tarun categories is more than the disbursed amount. This clearly shows that the people who can access these loans aren't aware about the functioning of the scheme and how this can be of help towards their growth and wellbeing, therefore there is a need to spread awareness about MUDRA in different ways such as advertisements, messages, newspaper advertisements etc. There is a huge variance between the different banks for the loans provided by the bank. The rates must be more stable and fixed since the reason for introducing the MUDRA for the public. As the years pass by the number of accounts sanctioned is reducing also the major limitations are that people don't repay the loan after their time period and thus they have to make the policy stricter.

c. Conclusions

Pradhan Mantri MUDRA Yojana Scheme has helped so many individuals to grow and benefit from this, which in turn creates a larger effect on the country's wellbeing and development. MUDRA's vision is to fund the unfunded, formalize the informal. India needs to fill up the gaps like skill development, knowledge, business literacy, microfinance and MUDRA is the answer to that. Thus, India has lent a hand to the small-scale industries and non-cooperate firms with the launch of PMMY, Mudra.

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