



**DISBURSEMENT AND UTILIZATION OF MUDRA YOJANA UNDER PMMY BY PUBLIC SECTOR
BANKS IN INDIA IN THE YEAR 2018-19.**

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Abstract

In India, small businesses play an important role by providing employment to a large number of people. Micro units are the second largest sector engaging uneducated and unskilled people after agriculture and further, millions of low income earning group person aspire to set up small businesses which leads to rural development of rural areas but are unable to start, mostly due to credit limitations. This paper is an attempt to know about the MUDRA Yojana and its disbursement and utilization rate of the sanctioned amount by public sector banks in India in the financial year 2018-19. Analysis is done by using secondary data from Bank wise performance report of Mudra Yojana. And the paper highlights that IDBI Bank Limited fully utilized sanctioned amount of Mudra loan. All the public sector banks utilized the sanctioned amount of Mudra Yojana effectively by distributing Major portion of the loan to micro units. Apart from syndicate banks all other public sector banks using more than 80% of the Mudra loan.

Key words: Micro units, Mudra Yojana, PMMY, public sector banks, rural development

1. Introduction

Micro enterprises are plays a vital role in improving the quality life for people in developing country like India. A micro enterprise is a small enterprise which employs a less number of people usually operates with fewer than 10 people with a small amount of capital. In India Micro, small, and medium enterprises (MSME) contributes around 29% to the Gross Domestic Product (GDP). Currently union minister Nitin Gadkari said that India have a vision to increase the MSME contribution to India's GDP to over 50% from currently

29%. Because of Micro enterprises collectively represent a substantial portion of economy and employment. Since the operation of micro units are tightly focused, there is a difficulty for growing into an even large operation. Considering their size and resources, it may also be limited in their access to various financial services and support. These limitations are ranges from insufficient finance, high interest rate, lack of collateral, credit rationing, and lack of accurate documentation. Because of lack of accurate documentation banks find it very difficult to lend them. Majority of this enterprise does not get an access to the

outside source of finance. In order to remove this difficulties faced by the MSME units, Pradhan Mantri MUDRA Yojana (PMMY) Scheme was introduced by Honorable Prime Minister on April 8,2015 for providing loans upto 10 lakh to the non-corporate, non-farm micro units/ small enterprises.

Rural development is an integral process of economic growth and social progress. It implies the development of rural sector which has many dimensions. The role of microfinance provides an environment of sustainable improvement in the quality of life of rural entrepreneurs enabling them to form micro units and providing them equal opportunities in decision making process and participation in community life. The access of the poor to bank services will break the vicious circle of poverty and removal of poverty is an effective instrument of rural development. Micro finance is community based. Poor people not only need loans but also savings, insurance and money transfers. Community saving banks, SHGs is community based micro finance institutions which provide these services to the rural poor to undertake productive activities for rural development. Micro finance is one of the most effective strategies for rural development. It plays the vital role because subsidies from government are scarce and uncertain and micro finance can reach large number of poor and weaker sections and thereby promotes inclusive growth. Micro finance promotes cash flow by way of granting micro credit to the poor and weaker sections for self-employment and recovery of loans.

Micro-Units Development and Refinance Agency (MUDRA) loan is the key measures that taken by the Government of India to promote Micro, Small and Medium Enterprises (MSMEs) nationwide. It is also known as Mudra Loan Yojana, Mudra Bank Scheme or Pradhan Mantri Mudra Yojana (PMMY). Under the scheme, loans of minimum Rs. 50,000 and maximum up to Rs. 10 lakh are provided to start-up enterprises and small business units. The loan products offered by MUDRA, known as Mudra loans, help micro enterprises to grow and expand their businesses or they can manage operational needs of the micro units through easy finance schemes/ coverage. PMMY aims to bank the unbanked. Under PMMY, MUDRA loan has created three products namely 'Shishu', 'Kishore' and 'Tarun' indicate the stage of growth, development and financing needs of the beneficiary micro entrepreneur and also provide a reference point for the next phase of graduation, development or growth. Sahid & Irshad (2016) conducted a descriptive study to know about the MUDRA Yojana and its key objectives. For analyzing these matters secondary sources of data have been collected and an attempt has been made to analyze the product offerings and performance of the scheme. Godha & Nama (2017) attempted to seek depth overview on salient features of PMMY, MUDRA bank, MUDRA product offerings, MUDRA role & responsibilities, financial inclusion & PMMY, progress made under PMMY and state wise PMMY report. They try to know about the impact of Pradhan Mantri Mudra Yojana (PMMY) on financial inclusion. And

from the study they concluded that due to PMMY there is a bigger change in the area of micro finance. Financial inclusion through PMMY increases the opportunities for credit requirement and refinance. Although the above studies show that there is no recent studies conducted to investigate the disbursement and utilization of the MUDRA loans by public sector banks in India. So the present study attempted to know the disbursement and utilization of that disbursed loans public sector banks in the year 2018-19.

2. Objectives

1. To analyse the disbursement and utilization rates of MUDRA loans by public sector banks in India in the year 2018-19.

3. Methodology

The study is descriptive in nature as it describes the characteristics of a particular group with narration of facts concerning them. The present study confined to public sector banks in India consist of the State Bank of India and 19 other public sector commercial banks like Bank of India, Bank Of Baroda, Canara Bank etc. Secondary data were used to conduct the study. Secondary data were collected from official website of MUDRA and from annual report of MUDRA. For calculating utilization level utilization ratio were used. For that purpose the data were collected from the bank wise performance report of MUDRA in the year 2018-19. Utilization ratio compares an individual's total debt balances to total available loan. It helps determine part of a person's credit score. Here try to analyzing

the bank's credit score relating with MUDRA loan.

(1) Utilization Ratio = (Total Debt Balance) / (Total Available loan)

4. Review of literature

Disbursement is the action of paying out or disbursing money. It is simple the disbursement of money. And utilization simple means making practical and effective use of something. Literature review involves a secondary analysis of available information already published in some form or unpublished. It helps the researcher to get familiarized with the research object and to establish the credibility of the project. Thus, various studies relating with disbursement and utilization of MUDRA loans are reviewed in this chapter:

Sahid & Irshad [5] (2016) conducted a descriptive study to know about the MUDRA Yojana and its key objectives. For analyzing such facts secondary sources of data has been collected. An attempt has been made in this paper to analyze the product offerings and performance so far of the scheme. For analyzing these matters secondary sources of data have been collected and an attempt has been made to analyze the product offerings and performance of the scheme. And the study concluded that the Growth of MSMEs will contribute to the development of 'Make in India' initiative. Agarwal & Dwivedi [1] (2017) attempted a critical review of PMMY, which includes the overview of PMMY, performance analysis of the scheme based on state, caste and category, SWOT

analysis of the scheme and some recommendations. The study concluded that PMMY is a great initiative taken by the GOI. Due to it, there is a big change in the area of microfinance. The scheme will help the weaker section, low income group and unfunded population and also will increase the competition. Godha & Nama^[2] (2017) attempted to seek depth overview on salient features of PMMY, MUDRA bank, MUDRA product offerings, MUDRA role & responsibilities, financial inclusion & PMMY, progress made under PMMY and state wise PMMY report. They have concluded from the study that due to PMMY there is a bigger change in the area of micro finance. This scheme will promote competition to give credit support to this weaker section, low income group and this unfunded population. Kavitha&Kumar ^[3] (2017) empirically analyses bank efficiency in implementing a government scheme that promotes entrepreneurship. They try to find out the technical and scale efficiency of 42 Indian banks, including a comparative efficiency between private and public sector banks in providing loans under the Prime Minister MUDRA Yojana scheme (PMMY), to promote entrepreneurship and facilitate easy access to capital for small and micro units, including the start-ups, by using data on the number of loans sanctioned and Amount of loan disbursed under the scheme. From the study they examined that Indian banks have been less efficient in implementing the PMMY, Public sector banks were more efficient in providing loans under the scheme and providing loans to start ups under the scheme than the private

sector banks. Varsha&Sanjeev^[6] (2017) try to conduct a study on the topic “PMMY: Role of financial institution in micro finance” based on the evolution of Micro Units Development of Refinance Agency (MUDRA) and Pradhan Mantri Mudra Yojana (PMMY) for funding the non-corporate small business sector. The paper focused on analyzing the progress of micro finance in the financial year 2015-16 after emergence of PMMY, and the contribution of various banks and micro financial institutes (MFIs) in loans disbursement to non-corporate small business sector. It concluded that public sector bank has been leading in financing but through Kishore and Tarun scheme while majority of funding under Shishu scheme has been done by NBFC-MFIs. In a review paper “An analysis of performance and impact of MUDRA Yojana under PMMY in the year 2016” try to know about the MUDRA Yojana and its key objectives. The paper highlights the role and importance of MUDRA bank towards the small business units. And the paper finds that the Scheme is well accepted by banking and other financial institutions. With MUDRA, certain things have changed and it is helping more and more people to become self-employed (Mahajan ^[5]-2018). Kumar.et.al ^[4] (2018) attempted an empirical investigation of contribution of financial institutions to the success of Pradhan Mantri Mudra Yojana (PMMY). The primary research study has been designed to investigate the current market position and performance of different financial entities in the Mudra loan segment. 364 officials from banks and non-banking entities those are

into Mudra loan business have been interviewed by using Ordinary Least Square (OLS) technique. The study finds that some of the strengths of the banks as well as NBFCs/ MFIs in Mudra loan market space are identification of genuine borrowers, better recovery mechanism, simplified process in appraisal and documentation and focused approach etc. and the study concluded that KYC and other business related documents are the contentious issues in extending easy credit to Mudra loan borrowers.

5. Results and discussion

In this study the disbursement and utilization of MUDRA loan under Pradhan Mantri Mudra Yojana (PMMY) scheme by public sector banks is analysed using a utilization Ratio. The study is confined to public sector banks in India consist of the State Bank of India and 19 other public sector commercial banks like Bank of India, Bank Of Baroda, Canara Bank etc. For calculating utilization ratios secondary data from bank wise performance of Mudra Loan in the year 2018-19 were used.

The above table shows that the IDBI Bank Limited fully utilized sanctioned amount of Mudra loan. Almost all the public sector banks disbursing more than 80% of Mudra loan for setting up of entrepreneurship. But the syndicate bank disbursed only 79% of sanctioned loan. In India public sector banks using 91% of the total loan amount sanctioned to them.

6. Findings

1. IDBI Bank Limited fully utilized sanctioned amount of Mudra loan.(100%).
2. Almost all the public sector banks disbursing more than 80% of Mudra loan for setting up of entrepreneurship.
3. Public sector banks using 91% of the total loan amount sanctioned to them.

7. Conclusion

Pradhan Mantri Mudra Yojana (PMMY) scheme will contribute to the welfare of the entrepreneurs engaged in small scale industries or micro units which will positively affect the progress of the economy as a whole and also for rural development of the country. MUDRA creates a vision of formalizing the informal and thereby funding the unfunded so that they can develop the rural sector. The present study about disbursement and utilization of Mudra Yojana finds that IDBI Bank Limited fully utilized sanctioned amount of Mudra loan. All the public sector banks utilized the sanctioned amount of Mudra Yojana effectively by distributing Major portion of the loan to micro units. Apart from syndicate banks all other public sector banks using more than 80% of the Mudra loan widely for the rural development of the India as a whole. Although the present study have some limitation of time constraints and also limited with public sector banks only. And all the data for the study can't be generalized.

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**Table no: 1 disbursement and utilization ratio of MUDRA loanby public sector banks in
 India in the year 2018-19**

Bank Name	Sanction Amount (In Crore)	Disbursement Amount (In Crore)	Utilization Ratio (In %)
State Bank Of India	33825.92	33612.50	99.36
Allahabad Bank	2974.59	2958.03	99.44
Andhra Bank	3007.62	2740.67	91.12
Bank Of Baroda	6023.66	5889.23	97.76
Bank Of India	6430.74	5892.44	91.62
Bank Of Maharashtra	2130.23	1901.93	89.28
Canara Bank	10297	9769.16	94.87
Central Bank Of India	2558.02	2068.96	80.88
Corporation Bank	1857.90	1802.38	97.01
Dena Bank	50.69	47.49	93.68
Indian Bank	1847	1734.14	93.88
Indian Overseas Bank	2288.18	2227.70	97.35
Oriental Bank Of Commerce	3051.60	2990.19	97.98
Punjab National Bank	6315.37	4964.27	78.60
Syndicate Bank	3145.68	2503.93	79.59
Union Bank Of India	4401.51	3879.35	88.13
United Bank Of India	1390.85	1324.98	95.26
Punjab & Sind Bank	1149.90	1059.78	92.16
UCO Bank	2203.80	1823.83	82.75
Vijaya Bank	2101.76	1993.01	94.82
IDBI Bank Limited	2182.95	2182.95	100
Total	65409.04	59754.41	91.35

(Source: Mudra bank wise performance report 2018-19)