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## **A critical analysis of over all performance of Pradhan Mantri Mudra Yojna (PMMY)**

**Pawan Kumar Bhura and Ashutosh Kumar Jha**

### **Abstract**

Pradhan Mantri Mudra Yojana has been started on 8th April 2015. Under the Micro Units Development and Refinance Agency (MUDRA) by the Bank. Whose main goal is to grow Micro and Small Enterprises as well as to raise the standard of living of the people. Under the PMMY, 3 types of loans are given from the bank such as Shishu, Kishor, Tarun, where Loan up to 10 lakh can be availed in Tarun category. In terms of performance, Tamil Nadu, Uttar Pradesh and Karnataka these are the top 3 states of India. To carry out the Scheme, the government has established a new organisation called MUDRA (Micro Units Development & Refinance Agency Limited), which would be responsible for the development and refinancing of micro units as well as serving as a micro finance sector in general. MUDRA offers refinancing to all banks that are looking to refinance small firm loans made under the PMMY programme. This study focused on the overview of Mudra Yojana, including the schemes offered by Mudra and overall performance PMMY. The data in this research work has been collected from secondary sources such as various journals, articles and MUDRA websites.

**Keywords:** MUDRA, micro and small enterprises, performance, micro units, micro finance

### **Introduction**

PMMY is a scheme launched by our respected Prime Minister Narendra Modi on 8<sup>th</sup> of April 2015 in which all the banks including Public bank (Allahabad Bank, Andhra Bank, Bank Of Baroda, Bank of India, Bank Of Maharashtra) private banks (ICICI Bank, Karnataka Bank, Karur Vysya Bank, IndusInd Bank, HDFC Bank etc), regional rural banks (Andhra Pradesh Grameena Vikas Bank, Uttar Bihar Gramin Bank, Uttarakhand Gramin Bank etc), state cooperative banks (Andaman & Nicobar State Co-operative Bank Ltd. etc), foreign bank (Citi Bank), and non-banking financial institution will be going to provide loans up to Rs 10 lakhs to small farmers, micro enterprises. The main aim of launching this scheme is to inspire and motivate enterprises to setup more and more enterprises in our country. These loans are mainly known as mudra loans (micro-development and refinancing agency limited). for making this scheme successful government of India has setup many mudra units in our country which provides refinancing to banks and then they will provide these loans to small loan seekers. Their main aim is to give financial support to these loan seekers.

### **Mudra Card**

Mudra card is a debit card issued by micro credit and refinancing agencies to mudra users to handle their account and deposit and withdraw their loan money. Mudra card helps mudra users to make their self-digitalise. They help them to withdraw their money easily from ATMs from anywhere.

### **Product Offerings of Mudra**

Mudra ( micro – development and refinancing agency limited ) is a scheme of government under PMMY which aims to provide loans upto rs 10 lakhs to small enterprise and to support them financially by providing refinance to banks / MFIs/ NBFCs / which forwarded to those enterprises who require these loans.

### **Pradhan Mantri Mudra Yojna (PMMY)**

Pradhan Mantri Mudra Yojna launched one more scheme under PMMY known as ‘Shishu’, ‘Kishore’ and ‘Tarun’ which basically aim to fulfil growth/ development and funding needs of micro enterprises and they also suggest them for their future opportunities which they can get.

- They grant loans up to Rs 50,000 under the Shishu scheme.
- They grant loans starting from Rs 50,000 to Rs 500,000 under the Kishore scheme.
- They grant loans starting from Rs 5,00,000 to Rs 10,00,000 under the Tarun scheme.

Their main objective is to spread awareness about entrepreneurship in future generation and also they make sure that they focus on Shishu category first and after that Kishore and Tarun and make development and growth of small enterprises.

#### **Types of Mudra Funding System**

- Micro credit scheme (MCS) aims to provide loans up to 1 lakhs through MFIs.
- Refinance scheme which provides loans to commercial banks (Allahabad Bank, Andhra Bank, Bank Of Baroda, Bank of India, Bank Of Maharashtra etc), regional rural banks (RRBs) banks (Andhra Pradesh Grameena Vikas Bank, Uttar Bihar Gramin Bank, Uttarakhand Gramin Bank etc), small financing banks, and non-banking financial institutions (NBFIs) and then they refinance these loans to small loan seekers.

#### **Micro Credit Scheme**

Micro credit is a scheme in which micro finance institution provides loans to various small enterprises, small loan seekers and to individual enterprises up to 1 lakh

#### **Refinance scheme for banks/NBFCs**

Under refinance scheme micro – development and refinancing agency provides loans up to 10 lakhs to commercial banks, regional rural banks, small finance banks which they further forward these loans to small enterprise and these banks also refinance these loans under Shishu, Kishore, and Tarun scheme and help in development and growth of small enterprises. Under this scheme they specially motivates women entrepreneur to setup new enterprise and they provide these loans to women accordingly on low interest rate.

#### **Purpose of Mudra Loans**

Main purpose of mudra loans is to motivate small entrepreneur to set up more and more enterprises by providing them loans up to Rs 10 lakh

- Mudra provides business loans to small vendors, shopkeepers and small entrepreneur.
- Provides loans to farmers for different activities like beekeeping, poultry farming etc.
- Provides vehicle loans for commercial purpose.
- Equipment loans to small enterprises.

#### **Review of Literature**

(Agarwal & Dwivedi, 2017) <sup>[1]</sup> The study analyzed that Pradhan Mantri Mudra Yojana PMMY, and analysis the performance of scheme based on state, caste and category. The author has also described the Features and SWOT analysis of PMMY. The growth rate of Union Territories like the A&N Islands and Lakshadweep is negative and not satisfactory on a state-by-state basis. while Assam and Tripura have the highest growth rate. According to the author, the PMMY scheme is a commendable step taken by the government where weaker section and low income section have helped a lot.

(Soni, 2016) <sup>[11]</sup> The research paper is an effort to understand the MUDRA: Development of Micro Units and refinancing agency. The main objective of this paper is to understand the Mudra scheme, its need and the legal structure required to benefit from it. To examine the Government's recommended solutions for the successful completion of this project. This research is of descriptive in nature as well as secondary data has been used from which the website has been taken from newspapers government website, publication and reports by institutes. The author eventually concluded that the currency would create new confidence in small-scale enterprises and encourage young, educated, or skilled people to scale up their operations. Also, MUDRA Yojana has an important contribution in women empowerment.

(Ramesh, 2016) <sup>[7]</sup> This study focused on the performance appraisal of Mudra Bank Schemes - a study. The purpose behind this paper is to study about Mudra Bank Schemes and their performance. This is a descriptive research, and MUDRA data for 2015-16 has been collected from secondary medium through websites, journals and newspapers. It has been concluded in research that the performance of Shishu scheme was very good and SC / ST / OBC category got more benefit from Shishu scheme than other schemes.

(Girnara, 2015) <sup>[2]</sup> This paper demonstrates the MUDRA Yojana and its role in promoting entrepreneurship and impact on Indian economy. The main objective of this paper is to highlight the positive impact, role effectiveness of the Mudra scheme on the Indian economy, as well as to tell the Mudra bank scheme and the interest rate on the loan. In this paper the comparison of Mudra bank loan with other business loan has been done where the interest rate of Mudra bank loan is lower than that of other business loan. Document requirement and fees are very less in Mudra loan. According to the author, the Mudra scheme has given a boost to entrepreneurship in India as well as a positive direction to the economy.

#### **Objectives of the Study**

- A. To critically evaluate the Pradhan Mantri Mudra Yojana (PMMY)
- B. To analyze the performance of different Category under MUDRA Scheme
- C. To understand the Product offerings under PMMY.
- D. To evaluate the loan sanction by financial institution in different state of India

#### **Research Methodology**

##### **Research Design**

The research will be descriptive in nature. This study focused on the overview of Mudra Yojana, including the schemes offered by Mudra and overall performance PMMY and evaluates the loan sanction by financial institution in different state of India

##### **Data collection**

**Sources of data:** The current research paper is mainly based on secondary sources of data and Secondary data is collected through government websites, article, research paper, Mudra website, books, Newspaper, discussions with bank officials. Both Qualitative and Quantitative data is collected.

**Data Analysis and Interpretation**

## Performance of Mudra scheme in India

Performance of top 10 states (FY 2017-18)

S. No.	Name of the State	Sanction Amt Rs ( in Crore)
1	Tamil Nadu	25,331.68
2	Karnataka	23,009.73
3	Maharashtra	22,751.40
4	Uttar Pradesh	22,077.89
5	West Bengal	20,552.19
6	Bihar	15,919.40
7	Madhya Pradesh	14,886.15
8	Rajasthan	13,862.55
9	Gujarat	11,386.52
10	Odisha	11,558.91
	Total	181336.42

Source: <https://www.mudra.org.in/PMMYReport>

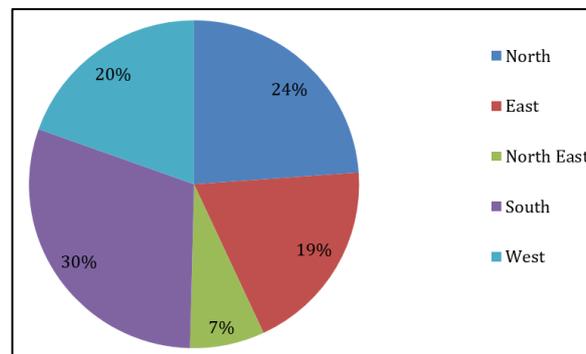
Tamil Nadu and Karnataka are included in the top 2 states of India in terms of loan sanction during financial year 2017-2018. Whereas West Bengal is at number five, Gujarat and Odisha are at number 9 and 10. In the financial year

2017-18, the top 10 states of India together have done loan sanction of about Rs 1.81 lakh Crores under the PMMY scheme.

Regional analysis (FY 2017-18)

Region	No. of A/Cs	Sanction Amt. R (in Crore)
North	84,64,083	60,535
East	1,27,64,868	48,744
North East	43,95,809	18,554
South	1,44,64,973	76,260
West	80,40,860	49,584
Total	4,81,30,593	253,677

Source: <https://www.mudra.org.in/PMMYReport>



Region-wise Sanction Amount under PMMY

In the financial year 2017-18, the southern region topped in loan Sanction, while the northern and Western regions got the second and third place. Eastern region is at number 4 and North East region is at number 5 by sanctions Rs 18,554 crore loan. In the financial year 2017-18, loan of about Rs 2.536 lakh crores has been sanctioned under the PMMY scheme including the entire region. In the financial year

2017-18, about 4.81 crore account holders including all sectors are associated with the PMMY scheme.

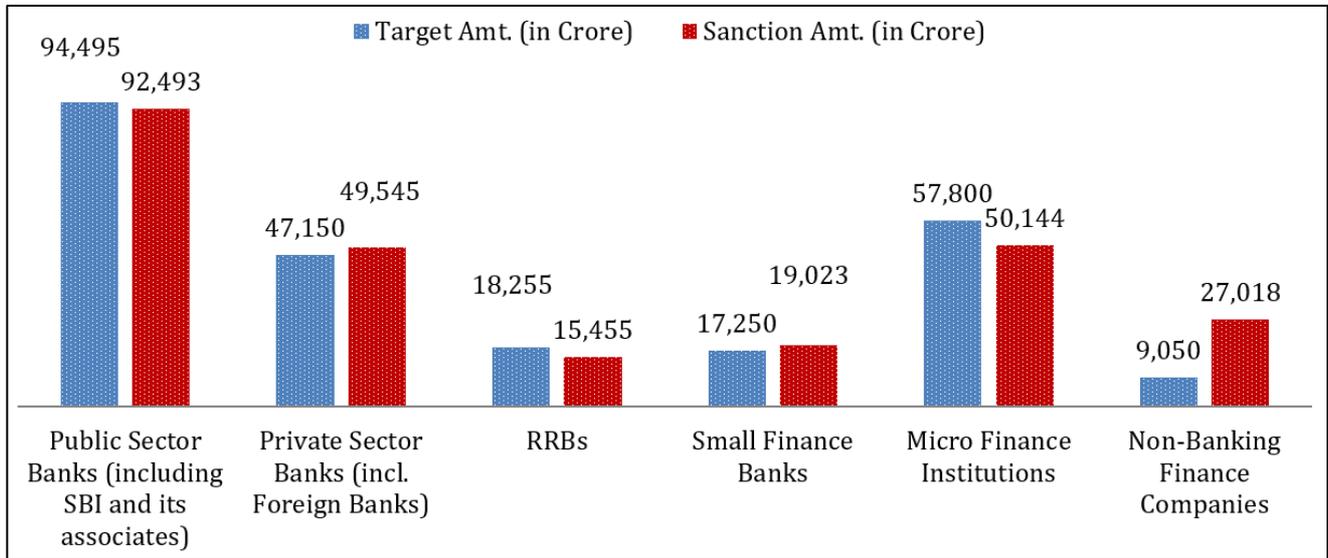
**Agency-wise Performance, FY 2017-2018**

In 2017-2018, a target of disbursement of Rs 2.44 lakh crore was set by the Government of India under PMMY, which was distributed by various financial institutions.

Agency-wise Performance, FY 2017-2018

Financial Institution	Target Amt. (in Crore)	Sanction Amt. (in Crore)	Percentage (Sanction Amt./Target Amt.)*100
Public Sector Banks (including SBI and its associates)	94,495	92,493	98%
Private Sector Banks (incl. Foreign Banks)	47,150	49,545	105%
RRBs	18,255	15,455	85%
Small Finance Banks	17,250	19,023	110%
Micro Finance Institutions	57,800	50,144	87%
Non-Banking Finance Companies	9,050	27,018	299%
Total	2,44,000	253,678	104%

Source: <https://www.mudra.org.in/PMMYReport>



Target vs Sanction Amt. in Crore (FY 2017-18)

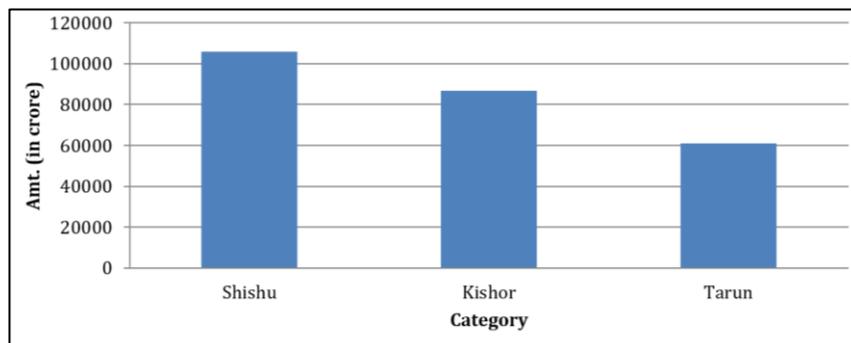
Agency wise performance shows that almost all the agencies except Public Sector Banks, RRBs and Micro Finance Institutions have sectioned loans in excess of their target amount in the financial year 2017-18. The percentage of

private sector banks (including foreign banks) stood at 105%, and Public Sector Banks (Incl. Regional Rural Banks) achieved 98% of their target. All other financial institutions have achieved their above 100% target.

Category-Wise Analysis (FY 2017-18)

Category	No. of Loan Accounts	Sanction Amt. (in Crore)
Shishu	4,26,69,795	1,06,001.6
Kishor	46,53,874	86,732.15
Tarun	8,06,924	60,943.36
Total	4,81,30,593	2,53,677.11

Source: <https://www.mudra.org.in/PMMYReport>



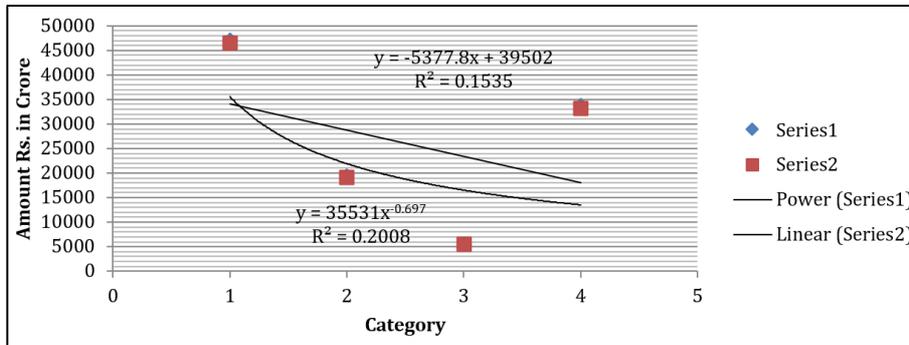
Category-Wise Sanction Amt. (in Crore)

In the financial year 2017-18, about 1.06 lakh crores in the Shishu category and 86,732 crores in Kishor category and 60,943crore loan sanctioned in Tarun category under

PMMY. Shishu category tops in terms of number of loan accounts.

Analysis of Sanctioned and Disbursement Amount (FY 2017-18) in Different Category by correlation and Paired T-test

1. Shishu (Amount Rs. in Crore)		
Category	Sanctioned Amt.	Disbursement Amt.
General	47171	46539
SC	19463	19069
ST	5616	5476
OBC	33752	33144
Total	106002	104228



Correlation analysis between Sanctioned and Disbursement Amount under Shishu category

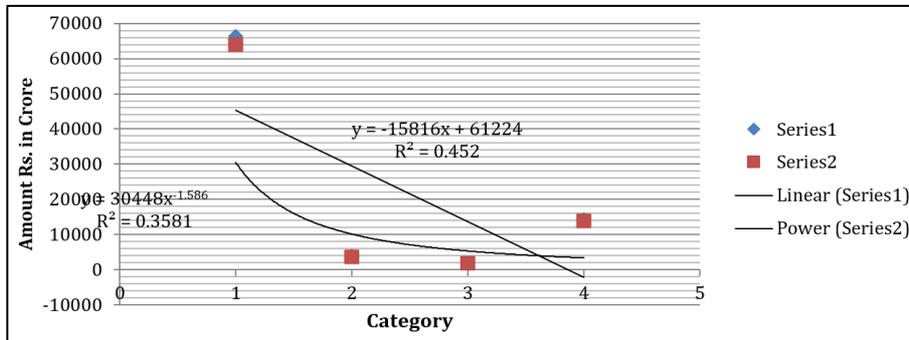
Result	
P- Value (Paired t-test)	0.030
Correlation	0.999
There is no significant difference between both groups $P > 5\%$ There is significant difference between both groups $P < 5\%$	

\*Source: Researcher Computation

In order to see the relation between Sanctioned and disbursement amount in Shishu category, Correlation and Paired t-test technique has been used. Where the result of correlation is 0.999, indicating high correlation between

Sanctioned and disbursement amount. The value of P-paired t-test is 0.030. It shows statistically significant results between these two groups at the 5% significance level.

2. Kishore (Amount Rs. in Crore)		
Category	Sanctioned Amt.	Disbursement Amt.
General	66477	63885
SC	3977	3718
ST	1795	1681
OBC	14483	13913
Total	86732	83197



Correlation analysis between Sanctioned and Disbursement Amount under Kishore category

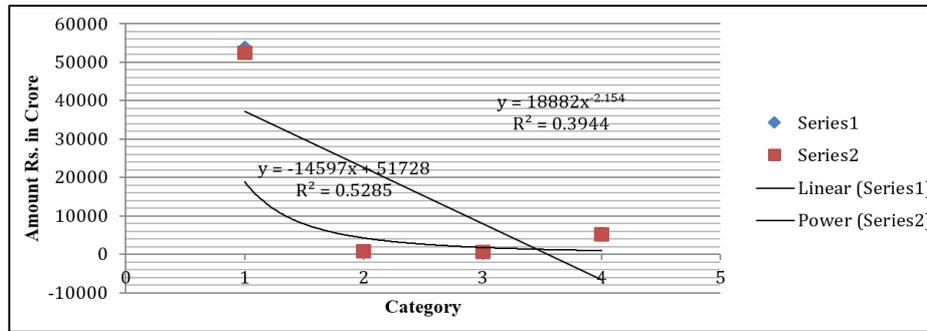
Result	
P- Value (Paired t-test)	0.2233
Correlation	0.9999
There is no significant difference between both groups $P > 5\%$ There is significant difference between both groups $P < 5\%$	

\*Source: Researcher Computation

In order to see the relation between Sanctioned and disbursement amount in Kishor category, Correlation and Paired t-test technique has been used. Where the result of correlation is 0.9999, indicating high correlation between

Sanctioned and disbursement amount. The value of Paired t-test is 0.2233. It shows statistically significant results between these two groups at the 5% significance level.

3. Tarun (Amount Rs. in Crore)		
Category	Sanctioned Amt.	Disbursement Amt.
General	53977	52326
SC	939	898
ST	590	550
OBC	5438	5239
Total	60943	59012



Correlation analysis between Sanctioned and Disbursement Amount under Tarun category

Result	
P- Value (Paired t-test)	0.3050
Correlation	0.9999
There is no significant difference between both groups P>5%	
There is significant difference between both groups P<5%	

\*Source: Researcher Computation

In order to see the relation between Sanctioned and disbursement amount in Tarun category, Correlation and Paired t-test technique has been used. Where the result of correlation is 0.9999, indicating high correlation between Sanctioned and disbursement amount. The value of P-paired t-test is 0.3050. It shows statistically significant results between these two groups at the 5% significance level.

**Conclusion**

In this research paper, various aspects of Pradhan Mantri Mudra Yojana have been shown and the categories of Mudra Yojana such as 'Shishu', 'Kishor' and 'Tarun' have been presented in detail. This paper fulfill its purpose shows the performance of top 10 states, where Tamil Nadu ranks first in loan sanctions. Along with this, bank accounts and Sanction loans have also been shown under the Mudra scheme in different regions of India. The percentage of sanction amount as compared to target amount in 2017-2018 is 104%. Approximately 1.06 lakh crores in the Shishu category, 86,732 crores in the Kishor category, and 60,943 crores in the Tarun category have been sanctioned under PMMY in the financial year 2017-18. In terms of loan accounts, the Shishu category takes the lead. Where the Shishu category indicates a high correlation between sanctioned and disbursed amounts, and the Paired t-test value is 0.0304, indicating a significant difference between the two groups at the 5% significance level. In Kishor category Paired t-test value of 0.2233 indicates that at the 5% significance level, there is no significant difference between the two groups. Sanctioned and disbursed amounts have a significant association in the Tarun category. The Paired t-test value of 0.3050 indicates that at the 5% significance level, no significant difference exists between the two groups. And the Shishu, kishor and Tarun category indicates a high correlation between sanctioned and disbursed amounts.

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