

MUDRA LOAN IN KERALA - A PERFORMANCE ANALYSIS

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Abstract

The Small business sector is facing many problems and the most serious among them is lack of finance. The reason is coming forward as an emerging issue because the lack of parity between needy and the willingness of banks in fulfilling the requirements. In order to tackle the issue Central Govt. introduced MUDRA loan scheme. As the scheme is completed its seven years of operation, this is an attempt to analyse the performance of MUDRA loan in preceding years. For this secondary data is used, the data of the period from 2015-16 to 2021-22 are considered for the study.

Key words:- Entrepreneurs, Source of fund, MUDRA loan, Collateral requirement, Shishu, Kishor, Tarun.

The government of India introduced the collateral-free and guaranteed loan program Pradhan MUDRA Yojana (PMMY) in April 2015 for the non-corporate, non-farm small/micro enterprises, to provide loans up to Rs 10

lakh, after realizing the need for financial and technical support for micro-enterprises in the nation. All banks - public, private, rural, microfinance, state cooperative and foreign - are required by PMMY to lend money to non-farm sector enterprises that generate less than

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Rs. 10 lakh in revenue. This credit is categorized as a MUDRA credit by PMMY. In addition to the microfinance industry in general, the government has established a new organization named MUDRA to carry out the system (Micro Units Development & Refinance Agency Limited). Any Indian citizen who has a small-scale business plan for exchanging, assembling, or manufacturing goods and whose required advance is less than Rs. 10 lakh is eligible to apply for advances under PMMY.

The Reserve Bank of India (RBI) occasionally controls the loan rate. The primary reason for founding MUDRA was to offer financial support to unincorporated firms. The scheme benefits the Non-Corporate Small Business Sector (NCSBS), which includes enterprises involved in benefit division, miniature manufacturing units, natural products, vegetable distribution, support and repair, needlework and working nutrition services, among other things. Numerous programs that give startups and small companies financial and technical support have already been launched by the Indian government. MUDRA is a means of assisting the nation's microeconomic sector. The support MUDRA is offering will help small enterprises including food services, craftsmen, sellers, and other micro-enterprises, both in urban and rural locations. Although many people rely on these industries, the government frequently avoids them. From this point forward, PMMY will go forward to support the sectors. This will link lending organizations with the average individuals

who require financing for their micro-enterprises. This allows MUDRA to distribute the funds through more channels, particularly in rural areas. The current study aims to shed light on Kerala's micro units' experience with MUDRA loans.

1.1 Objectives

1. To analyse the performance of MUDRA loan for the period of 2015-16 to 2021-22.
2. To compare the number of loan sanctions sanctioned amount and disbursed amount of the MUDRA loan in Kerala with respect to different schemes since its commencement.

1.2 Literature Review

George & Nalini (2018) The Mudra system would lead to the well-being of small-scale manufacturing that will relate significantly to the economic development as a whole. That form of scheme enhances the interest in young trained and professional people who will become first-generation entrepreneurs, and established small firms may be willing to broaden their operations.

Khadar & Rahim (2018) the paper discussed about the progress of the MUDRA Yojana till its implementation which is 2015 to 2018. The paper concluded with the dynamic nature of the scheme and also figured the number of loans and disbursed amounts for the period of study. They pointing out the need for upgradation to the scheme for emerging entrepreneurs and suggest timely structural changes.

Lall (2018) The paper highlights Mudra Yojana's success in India and highlights its performance in Uttarakhand. Tendency forecasts evaluate various types of systems. The research indicates that people are motivated to develop entrepreneurship by starting their own jobs. It shows that the schemes of MUDRA Yojana are successful under the categories of Kishor and Tarun whereas it was the case that Shishu fell because of which all of the overall disbursements have also fallen.

P A Ibrahim (2018) in his study reveals that in some MUDRA schemes, the growth rate of the opening and disbursement of accounts is positive. 73, 41 per cent of women and 25, 16 per cent of new entrepreneurs are from disadvantaged communities, who have been disproportionately affected by the system. However, there are proportionally fewer actors in account manufacturing and credit sources in the Northern States of the world. Under Shishu, the bulk of accounts are opened and attendance is constrained. The fact that RRBs and PSBs participate in the plan at a higher rate than commercial banks is not a recurring pattern.

1.4 Research Methodology

The study is descriptive and analytical in nature. Exclusively secondary data from PMMY annual report is used for the study, and the data is related to the period of 2015-16 to 2021-22. Various tools like Compounded Annual Growth Rate, Percentage Analysis and One factor ANOVA were used for the study. The study consist of the following hypothesis:

H_0 : There is no significant difference in the mean of percentage of disbursed MUDRA loans under the three categories.

H_1 : There is significant difference in the mean of percentage of disbursed MUDRA loans under the three categories.

1.5 Theoretical Framework

MUDRA (Micro Units Development and Refinancing Agency) Loan is a financial assistance programme for small scale units and businesses in India that do not have access to traditional banking services. The loan is intended for basic business needs, expansion of existing businesses, and modernization of business units. The loan amount ranges between Rs.50, 000 and Rs.10,000,000. Loans are available for both working capital requirements and term loans for relatively large sums of money over a long period of time. Initiated in 2015 as an NBFC owned by SIDBI, MUDRA Banks that provide MUDRA loans under MUDRA Yojana, MUDRA loans have amounts provided up to 50,000 - 10,00,000 under three categories; Shishu, Kishore, and Tarun. The funds will be made available through banks and selected NBFCs. Processing fees vary depending on the lending intermediary, but they are usually waived. The loan will not require any collateral. The interest rate will be determined by the RBI's MCLR (Marginal Cost of Lending Rate), with discounts for women. The loan will be for three to five years, with an option to extend it for up to seven years. In simple terms, any micro-production unit or service unit other than agriculture can apply for the loan.

To facilitate hassle free and flexible working capital assistance to the borrowers, MUDRA introduced the MUDRA card—a debit card on RuPay platform which can be operated across the ATMs and ‘Point of Sale’ (POS) Machines. A Borrower would be able to manage his credit needs by drawing funds from ATMs or make payments through POS machines, based on the requirement and repay s and when funds are available with him. Many partner banks / MFIs disbursed working capital loans by adopting the MUDRA card scheme.

The lending terms of PMMY, such as, margin, interest rate and security, etc. are as per the RBI stipulations. In terms of RBI guidelines issued on lending to Micro, Small & Medium Enterprises (MSME) Sector, banks are mandated not to collect collateral security in the case of loans up to Rs.10 lakh is applicable to units in the MSME sector. Banks are required to encourage their branch level

functionaries to avail of the Credit Guarantee Scheme cover, where ever felt desirable.

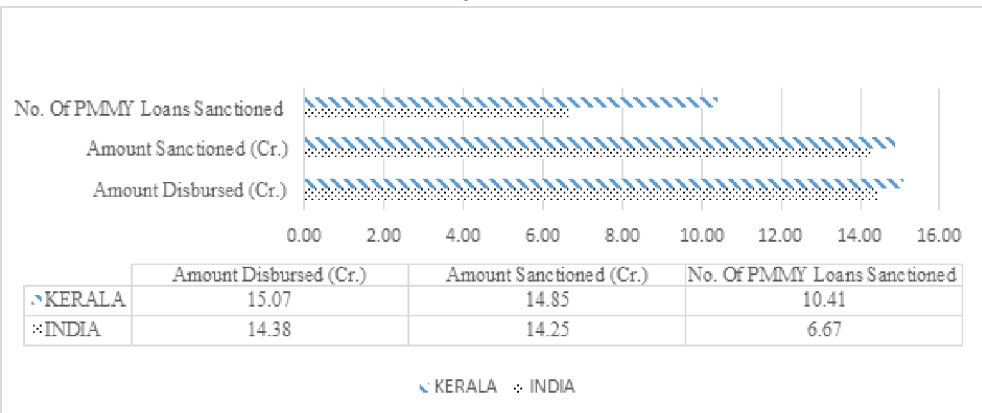
1.6 Data Analysis

From fig.1.6.1 shows the number of MUDRA loan Sanction & disbursal comparison between India & Kerala on the basis of Compounded Annual Growth Rate. From the figure it is evident that the number of loan sanction is showing a CAGR of 10.41 in Kerala and in India it is 6.67. But in the case of amount of disbursal and sanctioned amount both Kerala and India are showing almost similar CAGR.

By analysing the number of loan sanctioned and the amount of loan sanctioned in various categories of MUDRA loan shows that, category Shishu has highest number of sanctions compared to that of Kishor and Tarun. But in the case of sanctioned amount Shishu and Kishor are showing a highest

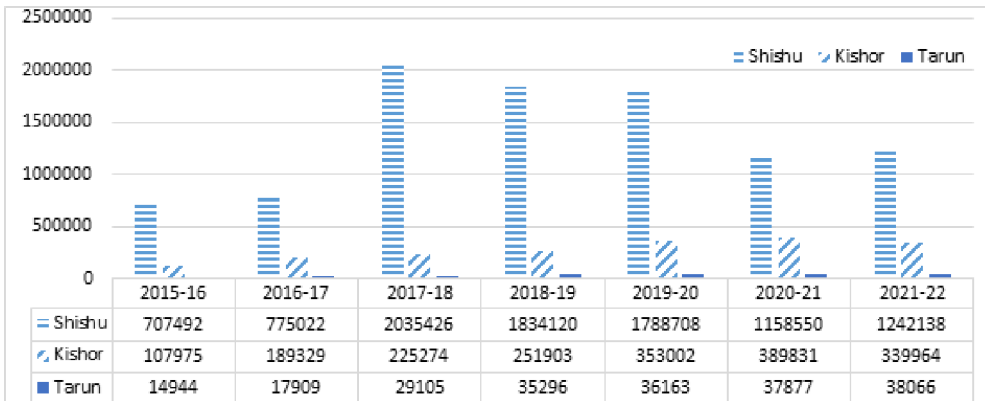
Fig.1.6.1

Number of MUDRA Loan Sanction & Disbursal Comparison between India & Kerala on the basis of Compounded Annual Growth Rate (%) 2015-16 to 2021-22



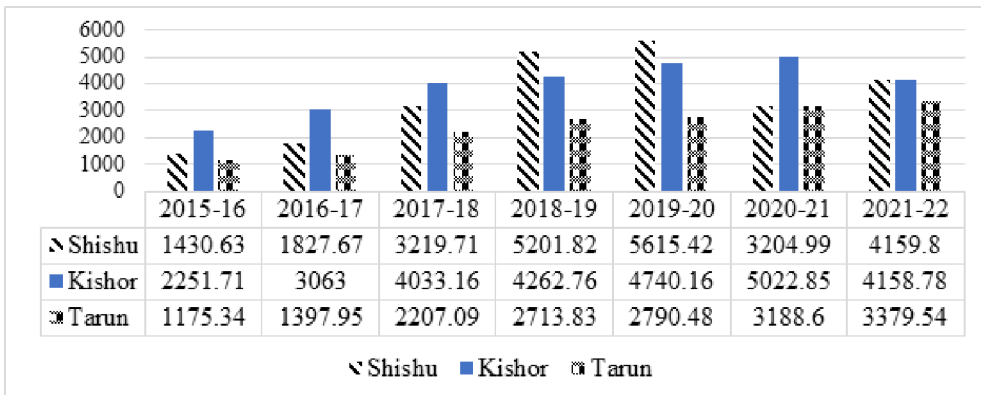
Source: Computed data

Fig.1.6.2
Number of MUDRA Loan Sanctions in Kerala: 2015-16 to 2021-22



Source: PMMY Annual Report

Fig.1.6.3
MUDRA Loan Sanctioned Amount in Kerala: 2015-16 to 2021-22



Source: PMMY Annual Report

amount and Tarun shows the least in all the years.

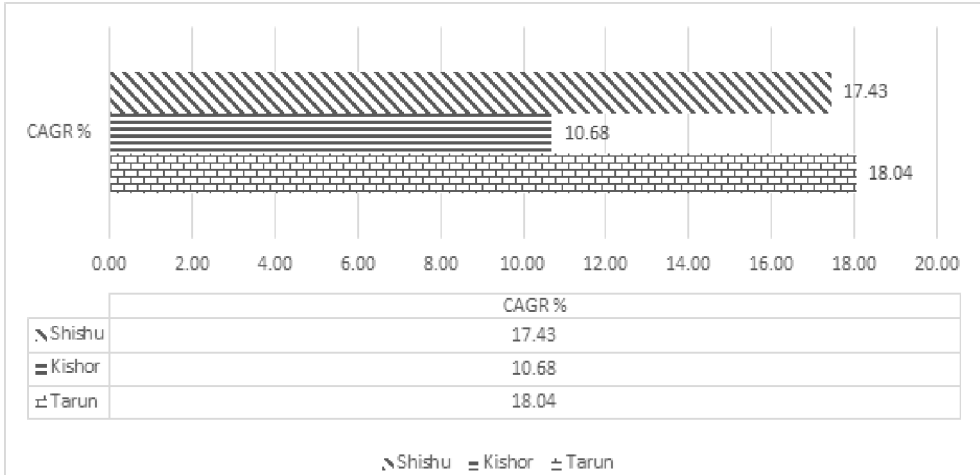
Fig.1.6.4 shows the CAGR of MUDRA loan sanctioned amount. And by analysing the CAGR, it is evident that Tarun has a growth rate of 18.04 and that of Shishu it is 17.43. These two categories are growing in equal range but the Kishore is growing in a low phase as the CAGR is 10.68.

From figure 1.6.5, it is evident that the CAGR of MUDRA loan disbursed amount in the category of Shishu it is 17.72, and in Tarun it is 14.89 and that of Kishor it is 10.75.

H_0 : There is no significant difference in the mean of percentage of disbursed MUDRA loans under the three categories.

Fig.1.6.4

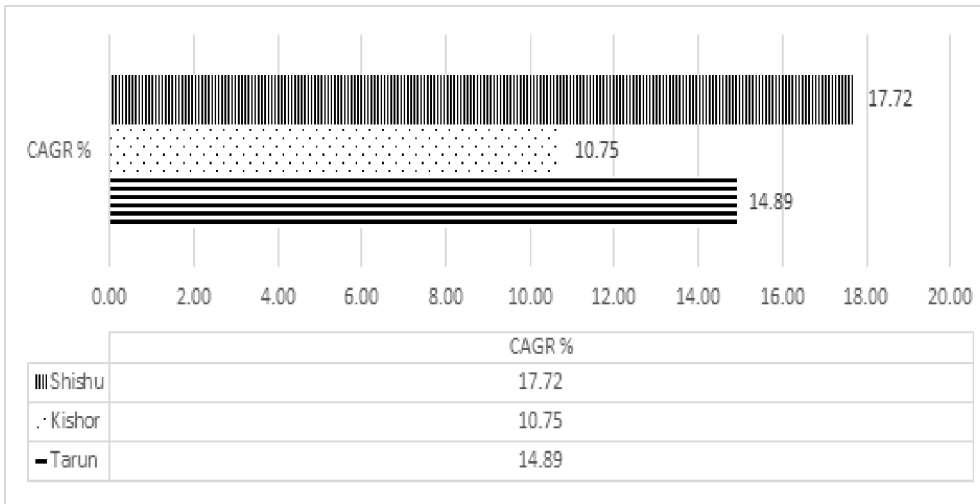
**MUDRA Loan Sanctioned Amount Compounded Annual Growth Rate (%)
2015-16 to 2021-22**



Source: Computed data

Fig.1.6.5

**MUDRA Loan Disbursed Amount Compounded Annual Growth Rate (%)
2015-16 to 2021-22**



Source: Computed data

To test the hypothesis one factor ANOVA is used based on the percentage of disbursed amount of MUDRA loan

on three categories, namely Shishu, Kishor and Tarun.

One factor ANOVA

<i>Mean</i>	<i>n</i>	<i>Std. Dev</i>	
34.838	7	6.3639	Shishu
41.181	7	5.7637	Kishor
23.981	7	3.0555	Tarun
33.333	21	8.8248	Total

ANOVA table

<i>Source</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>p-value</i>
Treatment	1,059.1987	2	529.59933	19.13	3.51E-05
Error	498.3362	18	27.68535		
Total	1,557.5349	20			

The F ratio is 19.13 with a p-value of 0.000 (p-value <5 per cent), the null hypothesis is rejected and the alternative hypothesis may be accepted. There is significant difference in the percentage of disbursed MUDRA loans under the three categories.

The pair Kishore and Tarun has the highest error rate. By comparing the means of Kishore and Tarun, it can be concluded that the type of loan with the largest mean score is Kishor, and it shows the highest difference.

Post hoc analysis

Tukey simultaneous comparison t-values (d.f. = 18)

		Tarun	Shishu	Kishor
Tarun	23.981	23.981	34.838	41.181
Shishu	34.838	3.86		
Kishor	41.181	6.12	2.26	

critical values for experiment wise error rate:

0.05 2.55

1.8 Findings & Conclusion

- From analysis of secondary data of 2015-16 to 2021-22, it is evident that CAGR of No. of loan sanctions is high in Kerala compared to that of India.
- But when India and Kerala comes to the amount of sanctions & disbursal shows more or less equal CAGR.
- While analysing the percentage of disbursed amount using ANOVA, there shows a statistically significant difference between the type of loan and percentage of disbursed amount.
- And by Post hoc test it is clear that Kishore and Tarun show highest difference and the mean score is highest for Kishor, so Kishor shows highest difference among the three categories.

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