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Performance Of Various Financial Institutions In Implementing PMMY – An Analytical Study

Ch. Lakshmi, Lecturer in Economics, Visakha Govt. degree College for women, Visakhapatnam

ABSTRACT

Pradhan Mantri Mudra Yojana(PMMY) is a scheme launched by the Honorable Prime Minister Sri Narendra Modi on 8th April 2015 for providing formal credit to small and micro enterprises. Micro Units Development and Refinancing Agency(MUDRA) Ltd., is a refinancing agency. MUDRA provides financial support to Micro and Small units through Commercial Banks, NBFCs, RRBs and various other financial agencies. This paper aims to analyze the performance of various financial Institutions in the implantation of MUDRA scheme by using the data providedby the Annual Report 2017-18 of PMMY.

Micro, Small and Medium Enterprises play a vital role in the Indian economy as they contribute large share in Gross Domestic Product, employment and exports. Despite of the contribution of MSMEs to Indian economy, very few of them have access to formal credit. In 2015 Central Government initiated the Pradhan Mantri Mudra Yojana to bring the micro and small enterprises into the scope of organized credit.

Types of MUDRA loans:

The MUDRA loans can be classified into 3 categories.
1.Shishu: Covering loans up to RS. 50000
2.Kishor: Covering loans above Rs. 50000 and up to Rs. 5 lakhs.
3.Tarun: Covering loans above Rs. 5 lakhs and up to Rs. 10 lakhs.

The loans under Mudra Scheme are guaranteed by Credit Guarantee Fund for Micro Units(CGFMU). This guarantee cover is available for 60 months.

The financial support under Mudra scheme can be divided into two types. They are Micro Credit scheme and Refinance scheme.

The Micro Credit Scheme is implemented mainly through Micro Financial Institutions(MFIs). MFIs provide the credit up to Rs. 1 lakh for various micro and small business units. The credit will be provided to individuals and Self Help Groups.

Refinancing Scheme is operated through Commercial Banks, Regional Rural Banks, Non Banking Financial Companies(NBFCs) and Small Finance Banks.

Types of Financial Institutions and their performance:

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Table 1

Various Financial Institutions &their performance during 2016-17 and 2017-18

Rs. In crores

Agency	Sanctioned amount 2016-17	Sanctioned amount 2017-18	Growth rate (%)
Public Sector Banks	71953.67	92492.68	29
Private sector Banks	39042.60	49545.11	27
Regional Rural Banks	12099.52	15454.51	29
Small Financial Banks	6729.01	19022.89	183
Micro Finance Institutions	45338.22	50143.75	11
NBFCs	5455.53	27018	396
Total	180528.55	253677.10	41

The following observations can be made with the given data.

Public Sector Banks: The public sector Banks are offering MUDRA loans at a lower rate of interest when compared to other agencies. Public Sector Banks are largest lending agencies under MUDRA Scheme. It can be observed a 29 percent growth rate in MUDRA loans during 2017-18. State Bank of India, Canara Bank and Punjab National Bank stood in the top positions among the Public Sector Banks.

Private Sector Banks: Private Sector Banks have also performed very well in the last two financial years. They recorded 27 percent growth in providing MUDRA loans. Among Private Sector Banks, Bandhan Bank stood top by providing Rs. 17657.36 crore loans.

Regional Rural Banks: They registerd 29 percent growth rate during 2017-18 and contributed only six percent of total MUDRA loans. PragatiGramin Bank, Kerala Gramin Bank and Karnataka Grameen Bank and Andhra Bank stood top among the RRBs.

Small Financial Banks: Small Financial Banks are exceptionally performed well in providing MUDRA loans. They registered 183percent growth rate in 2017-18 when compared to the previous year.

Micro Financial Institutions: Micro Financial Institutions achieved 11 percent growth and their market share in MUDRA loans reached to 20 percent in 2017-18. MUDRA is encouraging MFIs by reducing the refinancing rate of interest from 9.45% to 6.85%.

Non Banking Financial Companies: NBFCs are supporting MUDRA Scheme in two ways by providing loans to micro Units and also by refinancing the Micro Financial Institutions. They registered highest growth rate of 396% during 2017-18.

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We can also analyze the performance of various Financial Institutions by comparing the percentage of target reached and their share in total amount of MUDRA loans sanctioned.

Table 2

Percentage of target reached by Financial Institutions and their share in total MUDRA loans

Agency	Target(Rs.Crores) 2017-18	Sanctioned amount (Rs.Crore) 2017-18	Percentage of target reached	Percentage Share of total sanctioned amount
Public Sector Banks	94495	92492	98	36
Private Sector Banks	47150	49545.11	105	20
Regional Rural Banks	18255	15454	85	6
Small Financial Banks	17250	19022	110	7
MicroFinancial Institutions	57800	50143	87	20
NBFCs	9050	27018.16	299	11
Total	244000	253677.10	104	100

Source: Annual Report 2017-18 of PMMY

Analysis of this data shows following conclusions.

1. NBFCs, SFBs achieved highest growth rate during 2017-18 and other agencies have also registered good growth rate.
2. In reaching the targets, NBFCs have shown very good performance. They achieved 299percent of target.
3. SFBs and Private Sector Banks have also achieved more than 100 percent target.
4. The Public Sector Banks occupied the highest share in providing loans. They are providing 36 percent of total MUDRA loans during 2017-18.

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5. Regional Rural Banks have not reached the target and their share in total loans provided is very less.
6. MFIs and Private Sector Banks are occupying second place in the share of total loans by providing 20 percent loans by each agency.
7. Although the share of Non Banking Financial Companies is limited to 11 percent of total MUDRA loans provided, they achieved a very high growth rate of 396 percent.

In both the parameters of target reach and growth rate which are shown in the table 1 and table 2 the NBFCs have outperformed the Commercial Banks. This may be due to the focus of NBFCs on unorganized sector which was neglected by commercial banks. NBFCs are processing loans more quicker than Commercial Banks. Moreover NBFCs are also offering loans at competitive rates. NBFC sector may be expected to expand further in providing MUDRA loans in the coming years.

References:

1. Annual Report 2017-18 of PMMY
2. SBI website