



The Analytical Study of Bank Financing under Pradhan Mantri Mudra Yojana (PMMY) in Bihar

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ABSTRACT

Pradhan Mantri Mudra Yojana (PMMY) has shown positive trends in no. of accounts and sanctioned amounts in recent years and generate a large number of employment in India. The analysis of trends of Mudra loan disbursement of Bihar from period FY 2019 to FY 2023 reflects that Public Banks shows negative disbursement growth till FY 2022, goes positive with high growth in FY2023 and the same is positive for Private Banks throughout all the years except FY 2021. Within Private Banks, large banks like HDFC Bank, ICICI Bank, AXIS Bank etc are not showing interest to finance under the scheme and the disbursements is majorly contributed by small size banks Bandhan Bank and Indusind Bank and also by Small Finance Banks (SFBs). There is negative correlation is found between Non-Performing Assets (NPA) of banks and Mudra Loan Disbursement in the state. The banks having high NPA% is narrow in Mudra Loan financing in the state. The declining NPAs of banks and high Udyam registration in state has shown improvement in Mudra loan finance by all categories of banks in FY2023.

1. Introduction:

MUDRA stands for Micro Units Refinance and Development Agency Ltd, established by Government of India to expand the credit to micro and small business activities and refinance the financial institutions for lending to micro sectors. The Pradhan Mantri Mudra Yojana (PMMY) Loan Scheme is a flagship loan scheme of central government, introduced in April 2015 for providing small loan to non-corporate, non-farm borrowers upto Rs.10.00 lakhs for micro and small business activities. The scheme goes popular from beginning as it is providing loan without any collateral securities and third party guarantee. The guarantee of such loans to the member lending institutions is provided by National Credit Guarantee Trust Scheme (NCGTC) of government of India. The Mudra scheme has three categories of loans – Shishu, Kishore and Tarun. The credit limits under Shishu, Kishor and Tarun Categories is upto Rs 50000/-, Rs 50000/- to 5.0 Lakhs and Rs 5.0 to 10.0 lakhs respectively. Banks have provided a large no. of loans under the scheme and as on 31.03.2023 the cumulative credit is Rs 22.41 Lakh Crores to 41.16 Crores borrowers. The credit disbursed in financial year 2022-23 is Rs 4.5 Lakh Crores under the scheme, a jump of 36% from previous year, majorly contributed by commercial banks (MUDRA, 2023). MUDRA bank is established by government of India as subsidiary of SIDBI to refinance the lending institutions under Mudra loan Schemes and the trends to refinance under the scheme is positive in recent years. As per government data, Non-Performing Assets (NPA) under the scheme is 2.62% as on March 31, 2023 which was earlier 3.17% in March 2022 (Govt. of India, 2023). The high restructuring under Micro and Small Sector portfolio in recent years and post-covid recovery of the sector has reduced Non-Performing loans under the scheme.

Bihar is a backward state having low no. of large industries and the economy is largely contributed by Agriculture and Micro and Small Sectors. Mudra loans have played a very important role to uplift the micro sector in the state and a large no. of small borrowers have benefited through the scheme. Recently the state has shown high trends of credit disbursement under Microfinance category and also under Mudra loan scheme. Comparing to Public banks and Regional Rural Banks, Private Banks and Small Finance Banks in the state have played a key role to finance under the scheme. The Mudra loan disbursed in the state in FY 2022-23 is Rs 45448.59 Crores although it was Rs 30725 Crores in FY2021-22 (MUDRA, 2023). The banking sector plays a key role in disbursement under Mudra scheme and it is Rs 26141 Crore in FY2022-23, majorly contributed by some small private banks Bandhan Bank and Indusind Bank. After negative growth during Corona period, it again showed a high positive growth in disbursement and no. of borrowers in the state.

The objective of the study is to analyze the status of Mudra loan scheme with special reference to Bihar and compare the trends of lending under the scheme among different categories of banks in Bihar.

2. Literature Review:

The government of India has taken various efforts in recent years to uplift the MSME sector. The New to Customer (NTC) segment is defining next phase of MSME growth and it contributed more than 61% of originations within micro loan with high share of borrowers who have availed loans upto Rs 10 lakhs. After covid periods, high momentum is seen in micro sector credit (**TransUnion CIBIL, 2024**). The Pradhan Mantri Mudra Yojana becomes the life changing parts of Micro and Small Sectors in India by providing fund to the unfunded. It plays a very important role in employment generation and contributes nearly 6% of GDP (**Pandey R & Tripathi M, 2023**). Recently Government of India has taken various measures to improve MSME sector under Atma Nirbhar Yojana and it impacts positive on their lending. The scheme has not only tackled the problem of finance to weaker sections but also fulfill the dream of mass population to be entrepreneur (**Chandra, 2015**). The awareness and workshop arrangement with banks shows positive impact on penetration of Mudra lending in India. Mudra scheme filled the credit gap in micro sector (**Rajagopal D, 2022**). Formalization of MSMEs has made the path of MUDRA easier as it has become easier to keep track of the credit needs of the sectors. The impact of MUDRA bank can be seen in drastic increase in the number of MSMEs registered in the last three years. The establishment of Mudra Bank is a landmark steps in micro sector financing. Also MUDRA loans have been targeted well to weaker section of society (**Verma T & Nema D, 2019**). Non-Performing Assets (NPA) is a big concern of banks and to boost the Mudra Loan, such schemes should be kept out of Banking Politics to avoid any sort of corruption (**Shashank B & Mayya S, 2022**). There is no effect much of any type of crisis on Mudra Loans. It is less risky than any other loans. With the continuous assessment of borrowers, banks will able to manage NPA (**Shinde D & Jadhav B, 2022**).

There is no any specific study of Mudra Loan Scheme with special reference to Bihar and this study will fill this gap. The study will assess the trends of Mudra Loan financing of all categories of Banks in Bihar

3. Methodology and Data Analysis:

This is a descriptive and analytical based research where data has been accessed from secondary source – State Level Bankers' Committee Bihar, MUDRA Websites, RBI websites and other internet sources. The trends of Mudra Loan disbursements, NPA level of different banks of Bihar has been analyzed to

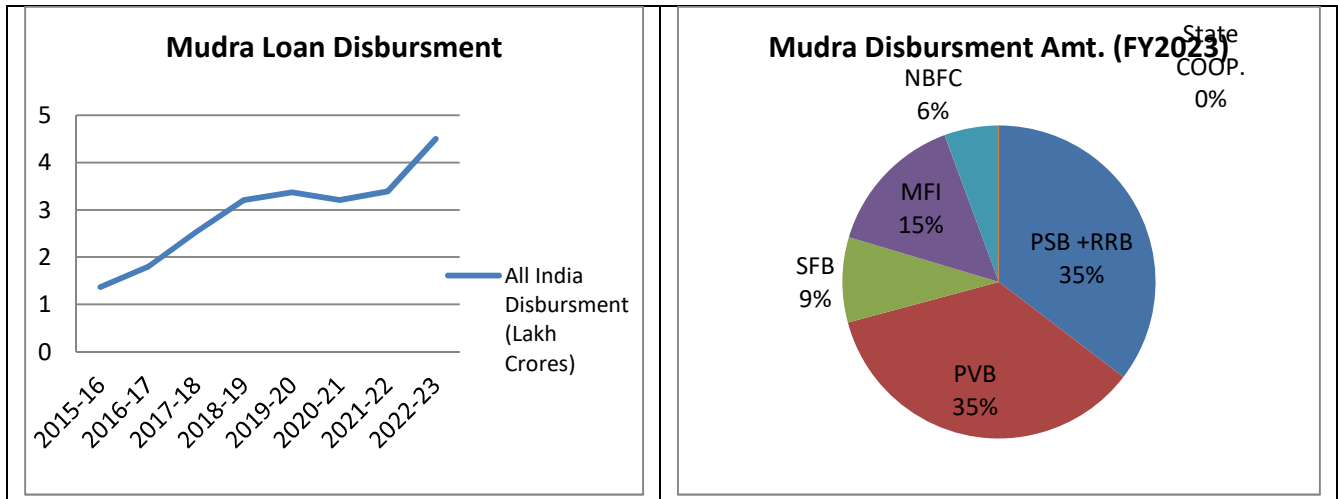
get the conclusion. The graphs, table and basis statistical tools are used to analyze and interpret the results.

(I) Pradhan Mantri Mudra Yojana (PMMY) and Its Status in India

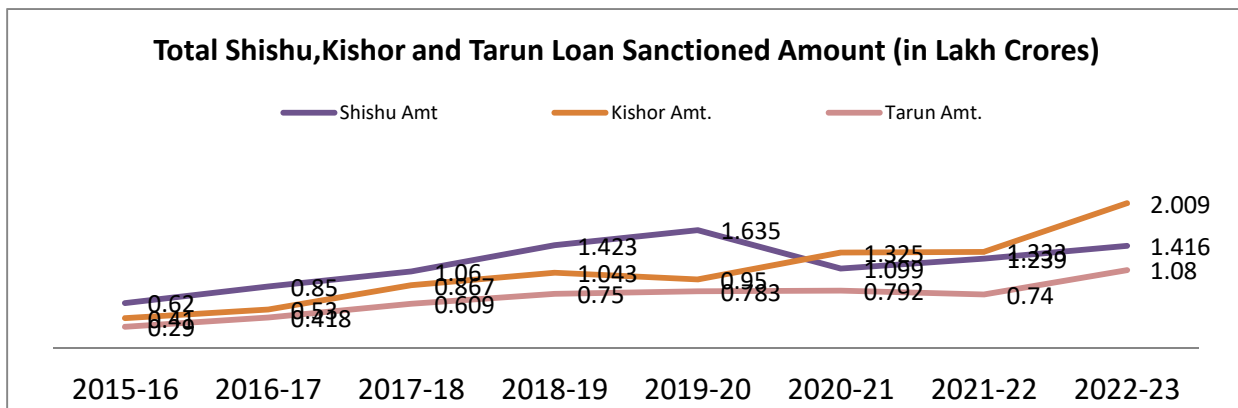
Mudra Scheme is a popular scheme started since 2015 and helps major sections of society to generate employment and uplift them from poverty in both rural and urban areas. Mudra scheme is providing finance upto Rs 10 Lacs to individual and non-corporate borrowers without any collateral security or third party guarantee, thus it fulfills the major credit gaps in micro and small sectors and other business activities. The trends of Mudra loan finance are positive in India. Micro Units Development and Refinance Agency Limited (MUDRA) is formed to refinance the financial institution to expand the credit in the micro sectors under the scheme. The MSME pulse report reveals that the high momentum is seen in credit in very small segment (<10 Lakhs) in India due to large digital infrastructure and efforts taken by government to push the MSME sector. This segment shows 20% YoY growth in March 2023 and private banks and NBFC are financing more than Public banks in these segments (TransUnionCIBIL, 2024).

The study reveals that the trends of sanctioned loan under PMMY is positive throughout the year except in 2020-21 and its growth is high in 2022-23 after various measures taken by government in India to expand Micro and Small Sector and formalizing the sector through Udhyaam registration. The no. of accounts and sanctioned amounts under Shishu Mudra loan is drastically declined in FY 2021 which is again showing recovery trend in FY2023. Kishor Mudra Loan and Tarun Mudra Loan shows moderate growth till FY2022 and high growth in FY 2023. The share of Public Bank with Regional Rural Bank (RRB) and Private Banks are almost similar in all India disbursement of Mudra Loan and each share is 35% in FY2023. (MUDRA, 2023). As per Government of India data, the NPA under Mudra Scheme is declined in FY 2023 and it is 2.62% as on 31th March 2023. It was 3.17% in FY 2022.

Graph1: Trends of All India Mudra Loan Disbursement and its Share of Different Banks
(Source: MUDRA)



Graph2: Trends of Sanctioned Amounts of Different Categories of Mudra Loan in India (Source: MUDRA)



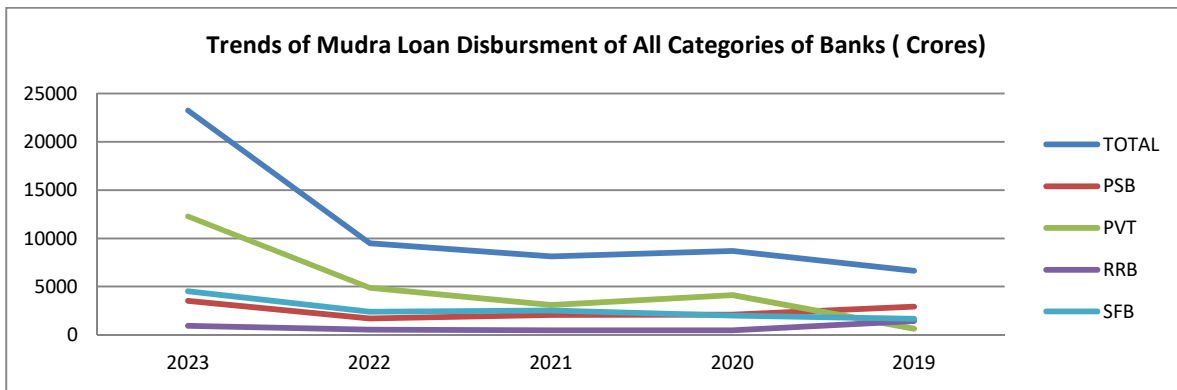
(II) Trends of Bank Financing in Mudra Loan in Bihar

Bihar is a populous state, having small numbers of large industries. The agriculture and micro and small sectors are major backbone of the state economy. Recently, the state has increased its credit under Micro finance and MSMEs sector. Mudra loan disbursement in Bihar shows positive trends in recent years in all categories of banks. The study reveals that the public banks shows declining trends in disbursement in Mudra Scheme till FY2022 and after this, it is revamping. The Private bank has increased its disbursement throughout the year except FY 2021 where it shows negative growth. All Banks in Bihar have increased its disbursement in FY 2023. The private banks and Small Finance Bank are having low percent of Non-Performing Loans and it impact positive on their finance under Mudra Scheme.

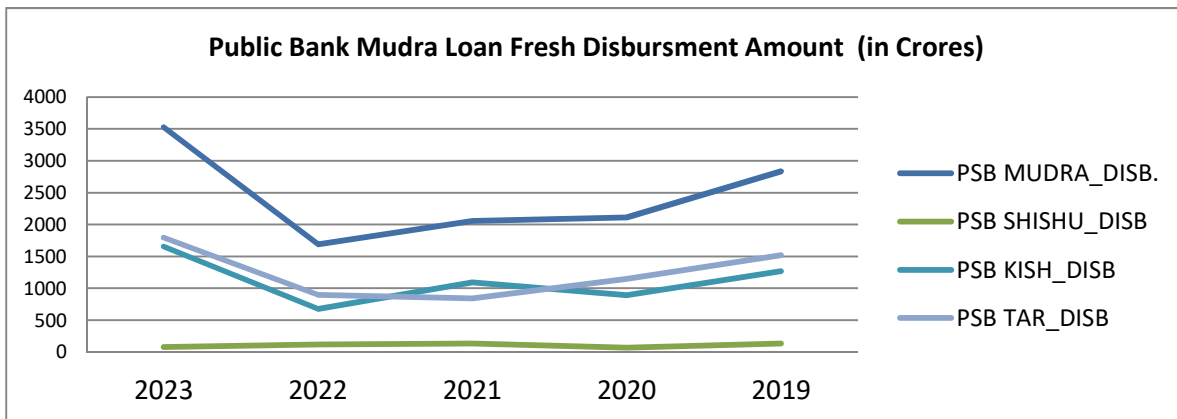
Table2: Mudra Loan Sanction and Disbursement in Banks of Bihar (Source: SLBC Bihar)

Total Mudra Loan	2023				2022				2021			
	Sanc. No. (Lacs)	Sanc. Amt (Cr.)	Disb. No (Lacs.)	Disb. Amt. (Cr.)	Sanc. No. (Lacs)	Sanc. Amt (Cr.)	Disb. No (Lacs.)	Disb. Amt. (Cr.)	Sanc. No. (Lacs)	Sanc. Amt (Cr.)	Disb. No (Lacs.)	Disb. Amt. (Cr.)
PSB	169552	3670.13	166848	3526.58	99868	2245.97	82856	1688.32	126799	2244.97	120336	2055.09
PVT	2728407	14270.87	2728333	12268.6	1241900	4884.77	1241900	4884.77	877975	3104.55	877972	3104.09
COOP.	0	0	0	0	0	0	0	0	0	0	0	0
RRB	65262	1200.97	65261	936.2	45744	1090.70	45744	534.76	53223	1160.37	53223	461.46
SFB	824940	4529.66	823646	4516.66	407103	2383.65	4071.03	2383.65	639837	2530.51	639837	2510.06
TOT.	3788161	23671.63	3784088	23248.04	1794615	10605.1	1777603	9491.5	1697834	9040.4	1691368	8140.7

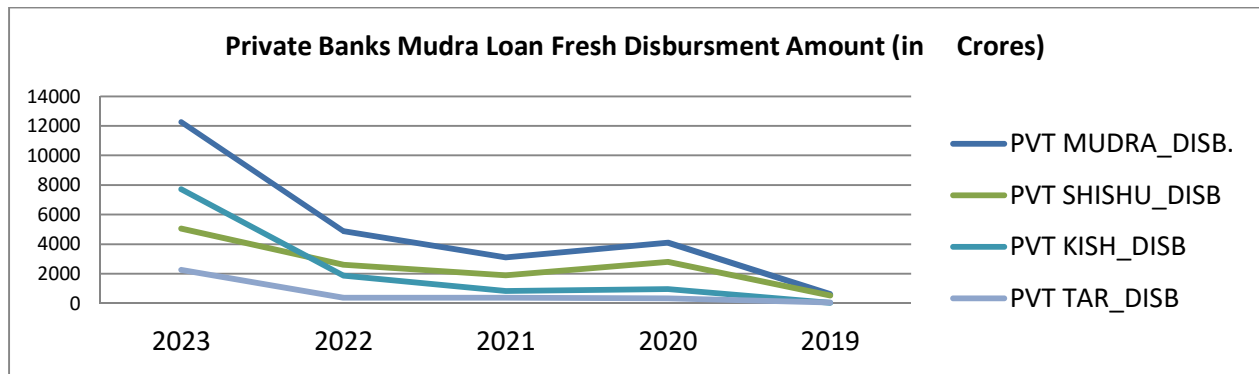
Graph3: Trends of Mudra Loan Disbursement of All Categories of Banks (Source: SLBC Bihar)



Graph4: Public Banks on Shishu, Kishor and Tarun Mudra Loan Disbursement (Source: SLBC Bihar)

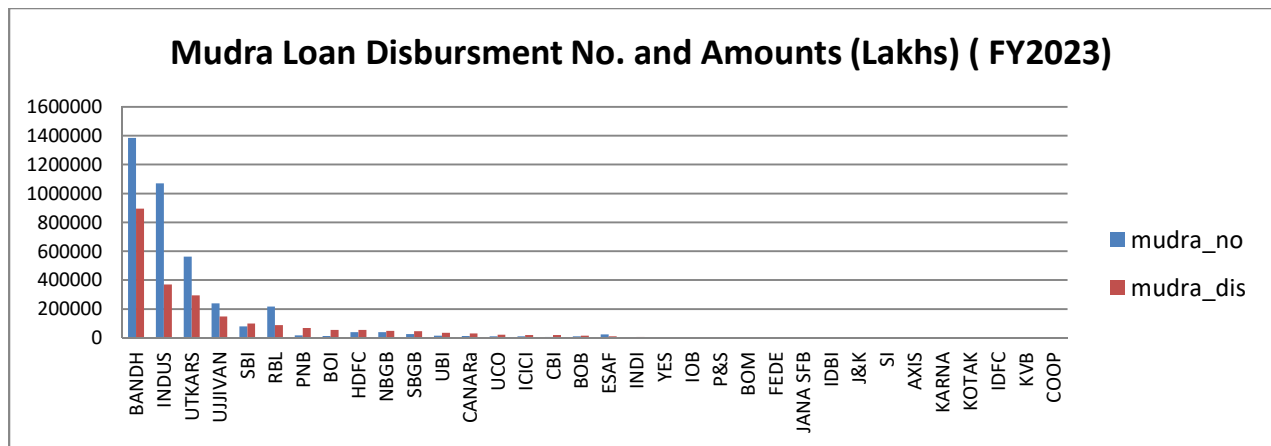


Graph5: Private Banks on Shishu, Kishor and Tarun Mudra Loan Disbursement (Source: SLBC Bihar)



While analysis the disbursement (without renewal) of various banks under the scheme, it is found that within private banks only two banks Indusind Bank and Bandhan Bank is contributing a large share of disbursement and all small finance bank are contributing good in disbursement. The contribution of all public bank even SBI in total disbursement is low in the state. The big banks HDFC, ICICI, Kotak, IDBI , AXIS are not showing interest in disbursement in Mudra Schemes in the state, it is almost nil disbursement by them. The collateral free loans have large probability of default and due to this, big private banks and public banks have not shown much interest to disburse under the scheme.

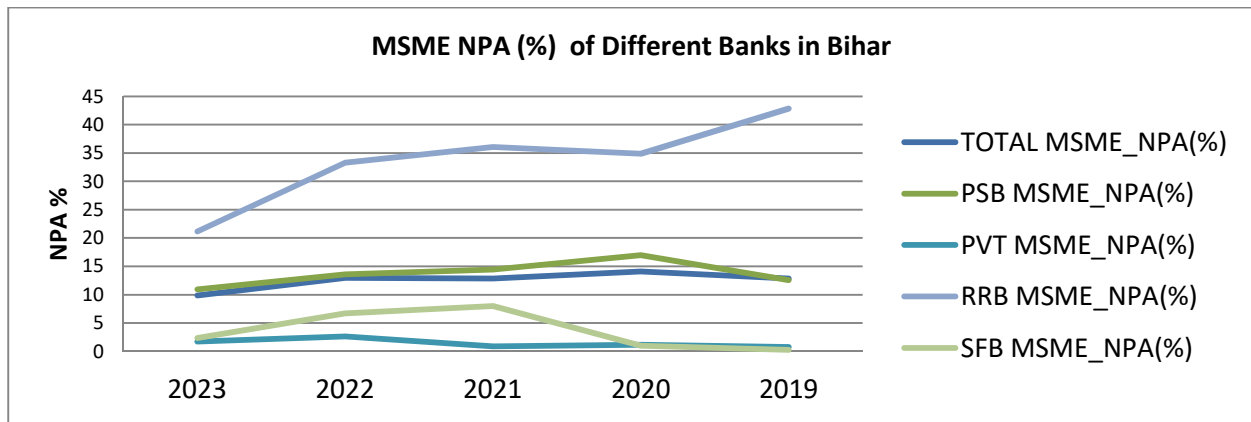
Graph5: Mudra Loan Disbursement by various banks in the state (FY 2023) Source: SLBC Bihar



(III) The NPAs of Banks and Its Impact on Mudra Loan Disbursement:

The Non-Performing Assets (NPA) of Public Sector Banks and RRB is very high in Bihar compared to Private Banks and Small Finance Banks. It is quite high in the Agriculture sector and in double digit in MSME sector. The NPA% of all banks has been reduced in FY 2023 and it shows positive impact on Mudra Loan disbursement in FY 2023.

Graph6: Trends of MSME NPA% of different banks in Bihar



The Correlation Coefficient of Mudra Loan Disbursed Amount with total NPA % and total MSME % has been calculated of data of different banks of Bihar for period FY 2019 to FY 2023 and represented in table for all categories of Mudra Loan Disbursement. The result reflects that there is negative correlation with NPA of banks and the disbursement the loan under Mudra loan categories. It reflects that the banks having high total NPA% and high MSME NPA% like Public Banks and Regional Rural Banks are low in disbursement of Mudra loan in the state. The low performance of finance under Mudra Loan is observed in Public sector Banks and Regional Rural Banks in Bihar due to high percentage of Non-Performing Loans.

Table4: Correlation Coefficient of Mudra Loan with NPA%

Correlation Coefficient	NPA_MSME %	NPA_TOT%
Total Mudra Loan Disbursement Amt	-0.174	-0.229
Shishu Category Disbursement Amt	-0.348	-0.385
Kishor Category Disbursement Amt	-0.103	-0.124
Tarun Category Disbursement Amt	-0.101	-0.087

The formalizing of micro sector through Udhyam registration and government’s efforts to increase the finance under MSME Sectors have enhanced the finance under Mudra Scheme in recent years. The Udhyam Registration in Bihar has drastically increased in last two years and it impacts positive in financing to Micro Sector, particularly Mudra Loan in the state.

Table5: Udhyam Registration Data in Bihar (Source: msme.gov.in)

	Micro	Small	Medium	Total
2020-21 (From 1 July 2020)	88606	1469	216	90291
2021-2022	216111	5008	221	221340
April 2022- 3 rd Jun 2024	742001	11907	554	754462
Cumulative on 3 rd June 2024	1046718	18384	991	1066093

As per RBI guidelines, the Very Small Micro Loans (upto 10 Lakh Rupees) must be granted by banks without any collateral Security and without Third Party Guarantee , but practically it is not implemented by many banks in Bihar. The formalization of Micro and Small Sectors through Udhyam Registration has improved the disbursement of Vey Small Micro Loans (<10 lakhs) in recent years.

4. Result and Discussion:

The study reveals that the Mudra Loan Disbursement is India as well as Bihar has improved in recent years. The trends of Mudra loans disbursement in Public Banks and Regional Rural Banks in negative till FY 2022 but positive in FY 2023 and it is positive to Private Bank throughout the year except FY 2021. The state has shown low disbursement in Mudra Loans by Public Banks and RRBs compared to Private Banks and Small Finance Banks. Within private banks, Bandhan Bank and Indusind Bank are the large contributors. Big private banks did not shown interest to finance under the scheme. The public banks and RRBs of the state are having high Non-Performing Assets in MSME sector and Agriculture Sector, which impacts negative on Mudra Loan Financing. The large no. of Udhyam Registration under Micro Sector in last two years in the state 2has shown good impacts on Mudra loan financing. The state has shown a sharp rise of Mudra Loan in FY 2023 by all categories of banks.

5. Conclusion:

The trends of Mudra loan financing are positive in Bihar as well as in India. The public banks and RRBs are narrow in financing under the scheme compared to private banks and small finance banks, although it has been improved in FY2023. The state has high potential to enhance finance under the scheme but big private banks and public banks are not showing much interest to finance under the scheme. The high NPAs of public banks and Regional Rural Banks in state also impacts negative to finance under the scheme. Within private banks, large share is contributed by small size banks Bandhan Bank and

Insusind Bank and Small Finance Banks. The large no. of Udhya Registration in last two years and declining NPA % in the state has shown positive impact on Mudra Loan financing in the state in FY2023.

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