

Small is good: Mudra loan NPAs at just 3.3% in 7 years

Bad loans under the Pradhan Mantri MUDRA Yojana for all banks (public, private, foreign, state cooperative, regional rural and small finance) since the launch of the scheme on April 8, 2015, added up to Rs 46,053.39 crore as on June 30, 2022.

IN over seven years since launch, borrowers of Mudra loans – essentially micro and small enterprises – have paid their EMIs (equated monthly instalments) to banks. Non-performing assets of banks for Mudra loans – including those extended during the Covid-19 pandemic when small enterprises were the worst hit – are lower than the average NPAs of the sector as a whole, data obtained under the Right to Information Act reveals.

Bad loans under the Pradhan Mantri MUDRA Yojana for all banks (public, private, foreign, state cooperative, regional rural and small finance) since the launch of the scheme on April 8, 2015, added up to Rs 46,053.39 crore as on June 30, 2022. This is just 3.38 per cent of the total disbursements of Rs 13.64 lakh crore under the scheme during the period, almost half of the banking sector as a whole which stood at 5.97 per cent for the year-ending March 31, 2022.

The gross NPAs of the banking sector in the previous six years was much higher than in 2021-22; it was 7.3 per cent in 2020-21, 8.2 per cent in 2019-20, 9.1 per cent in 2018-19, 11.2 per cent in 2017-18 and 9.3 per cent in 2016-17 and 7.5 per cent in 2015-16).

Within the three categories, the NPAs for Shishu loans (up to Rs 50,000) were the lowest at 2.25 per cent of disbursements and the highest for Kishore loans (Rs 50,001 to Rs 5 lakh) at 4.49 per cent. For Tarun loans (over Rs 5 lakh up to Rs 10 lakh), bad loans were 2.29 per cent of disbursements.

The data under the RTI response received by the Department of Financial Services under the Union Ministry of Finance reveals five interesting trends:

i) Public sector banks accounted for almost 46 per cent of all Mudra loans in value terms till June 30 this year. They accumulated bad loans of Rs 31,025.30 crore, which is 4.98 per cent of their disbursements of Rs 6,23,279.85 crore. As a percentage of total advances, this is also lower than 5.97 per cent for the banking sector as a whole.

ii) Private banks have far better recovery than public sector banks. For them, bad loans or non-performing assets during the seven-year period stood at Rs 6,469.2 crore, just 1.32 per cent of their disbursements of Rs 4,90,652.6 crore. Private banks were next to public sector banks in terms of their market share in value terms – they accounted for almost 36 per cent of the total disbursements.

iii) Of the total 19.78 crore beneficiaries (also referred to as loan accounts) across Shishu, Kishore and Tarun categories, only 82.98 lakh loan accounts or 4.19 per cent turned bad. This means only 4 beneficiaries among 100 beneficiaries defaulted on repayments.

iv) Private banks may account for just 36 per cent of the value of loans disbursed, but in terms of the number of loan accounts, they catered to 10.46 crore beneficiaries or almost 53 per cent of the total 19.78 crore loan accounts. What this suggests is private banks gave smaller denomination loans, but their coverage was much wider. This is corroborated by data. The share of private sector banks is very high in Shishu category loans (up to Rs 50,000); of the Rs 4.21 lakh crore disbursed to over 15.39 crore beneficiaries under Shishu category, private sector banks accounted for almost 60 per cent.

v) On the contrary, public sector or state-owned banks (which in value terms accounted for almost 46 per cent of loans disbursed) covered just 4.66 crore beneficiaries, or under 24 per cent of the total Mudra loan accounts. This reveals that the average loan size for public sector banks was much larger than private banks. The share of public sector in Kishore category disbursements (Rs 50,000 to Rs 5 lakh) was 35.64 per cent, and in Tarun category (Rs 5-10 lakh loans) was much higher at 61 per cent.

According to the RTI reply, regional Rural Banks (RRBs) disbursed over Rs 1.09 lakh crore (8.06 per cent of total) to 1.05 crore customers (5.38 per cent of total) and Small Finance Banks provided over Rs 1.40 lakh crore (10.27 per cent of total disbursement) to 3.61 crore beneficiaries (18.22 per cent of total) as on June 30, 2022. Similar to the public sector banks, the NPAs of RRBs too are high at about 4.22 per cent. For small finance banks, the NPAs were lower at 2.79 per cent

