

# Mudra: Micro Units Development and Refinance Agency

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**Abstract – Non –Corporate Small Business Sector (NCSBS) is the economic foundation of India. It plays a very important role in the socio- economic development of the country. In past six decades it has significantly contributed to the growth of GDP (Gross Domestic Product), foreign trade and employment generation. Therefore the performance of this sector has a direct impact on the overall growth of the economy. According to the survey by NSSO (2013), there are 5.77 cr. Micro /small scale units, engaging around 12 cr. People, mostly own account enterprises or solitary proprietorships in the country. Above 60% of units are owned by SC, ST, and other backward classes. They are unaware about credit, insurance, loan and other financial services and generally depend on local lenders who grant them money on very lofty interest rates. Shortage of sufficient financial resources is the major problem facing by these sectors, to improve this weaker section our honorable Prime Minister launched the promised Micro Units Development and Refinance Agency (MUDRA) Yojana to facilitate those people, small institutions who are not capable to start their business self. This paper mainly concerned with an overview on purpose of assistance, eligible borrowers, promoters contributions, upfront fee, security and tenor of assistance.**

**Keywords: Mudra Yojana, Proprietorships, Growth, Micro Enterprises, Financial Institutions**

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## INTRODUCTION

### MUDRA: Micro Units Development and Refinance Agency "Funding the Unfunded"

Launched by Mr. Narendra Modi on 8 April 2015, envisage providing MUDRA loan, up to Rs10 lakh. Loans are given to those micro institutions which are engaged in manufacturing, trading and services sectors. MUDRA bank launched with corpus of Rs. 20,000 crores and credit guarantee of Rs. 3,000 crores. Under this scheme loans are rendered by banks, NBFCs, MFIs and other financial institutions as mentioned by MUDRA Ltd.

### OBJECTIVE OF THE STUDY:

- This paper is concerned to overview on scheme MUDRA under PMMY.
- To understand the need of **MUDRA YOJANA** to understand the legal framework required to avail benefit under this scheme.
- To find out the scope of this scheme.

- To study the government's proposed strategies to get success in completion of this project.

- To raised Skill Development.

## METHODOLOGY

The current research paper is mainly based on secondary sources of data consisting of various magazines, newspapers, websites and Government publications.

## MUDRA OFFERINGS

Under the guidance of Pradhan Mantri MUDRA Yojana (PMMY), MUDRA has already shaped its initial Schemes / products in to three different categories depending on the nature of business:

**SHISHU:-** Covering loans upto Rs.50,000 for just starting small business.

**KISHORE:-** If you have set your business loans above Rs.50,000 and upto Rs. 5 lakh covered in this scheme.

**TARUN:-** If you need more fund to raise your good established business, then you will get loan cover above 5 lakh to 10 lakh.

It would be ensured that around 60% of the loan flows to Shishu category and the balance to Kishore and Tarun categories. With the framework and overall purpose of growth and development of these schemes being offered by MUDRA at the rollout stage have been designed to meet requirements of different sectors / business activities as well as business entrepreneur segments. Brief details are as under: Mahila Uddyami Scheme (Women Pruners) Equipment Finance Scheme for Micro Units Business Loans for Traders and Shopkeepers Micro Credit Scheme (MCS) Refinance Scheme for RRBs / Cooperative Banks Sector / Activity Focused Schemes

**MAHILA UDDYAMI SCHEME:-** Suitable and sufficient financial support to the MFIs, for on lending to women / group of women's / JLGs / SHGs for creation of qualifying assets as per RBI guidelines towards operating micro enterprises as per MSMED Act.

**EQUIPMENT FINANCE SCHEME FOR MICRO UNITS:-** Suitable and sufficient financial support for on lending to individuals for purchasing of necessary equipments.

**BUSINESS LOANS FOR TRADERS AND SHOPKEEPERS:-** Appropriate and adequate financial support for on lending to individuals for running their shops / business activities and trading/ non –farm income generating activities and service enterprises loan size upto Rs.10 lakh per borrower.

#### **Micro Credit Scheme (MCS):-**

Support to the MFIs, for on lending to Individuals / groups of individuals / JLGs / SHGs for creation of qualifying assets as per RBI guidelines towards operating micro enterprises as per MSMED Act.

#### **Refinance Schemes for RRBs /Cooperative Banks:-**

Attractive Liquidity of RRBs / Scheduled Cooperative Banks by refinancing loan absolute to micro enterprises as per MSMED Act.

**Sector / Activity Focused Schemes:-** To maximize coverage of beneficiaries to meet requirements of specific business activities focused schemes would be rolled out. Schemes are proposed for:

#### **a. Land Transport Sector/ Activity:**

Purchase of transport vehicles such as auto rickshaw, E- rickshaw, 3 wheelers, and small goods Transport, taxi, passenger cars etc.

#### **b. Community, Social & Personal Service Activities:** Such as Boutiques, Beauty Parlors,

saloons, tailoring shops, gymnasium, cycle and motor cycle repair shop, dry cleaning, courier agents, medicine shops etc.

**c. Food Products Sector:** Fruits /vegetables vendors, papad making, achaar Making, jam / jelly making, ice and ace cream making units, biscuit, bread and bun making units, sweet shops, day catering / canteen services etc.

**d. Textile Products Sector:** To give support for small industries such as knitting, printing, cotton ginning, computerized embroidery, stitching, handloom, chikan work, zari and zardozi work, traditional embroidery and dyeing, hand work, vehicle accessories and Furnishing accessories etc.

#### **INNOVATIVE OFFERING: MUDRA CARD:-**

For the purpose of working capital limit, it has launched a new product called “**MUDRA CARD**”, which is debit card and provides hassle free credit in flexible manner. It can be used to purchase raw material and components from registered producers on an online platform. The card could be linked with popular savings account “**Pradhan Mantri Jan Dhan Yojana**” of the borrower and the drawls could also be enabled through the Bank's ATM network. National Payment Corporation of India (NPCI) has given RuPay branding to MUDRA Card and also separate BIN/ IIN for the same, buy which credit history can be tracked.

**Eligible Borrowers:-** The applicant should not be debtor to any bank or financial institution and should have a adequate credit track record. The individual borrowers may be required to have the necessary skills/ experience/ knowledge to commence the proposed activity. The objective of MUDRA is to impart financial assistance to the non- corporate business sector. Under this scheme loans are given to eligible borrowers to purchase capital assets / working capital / marketing requirements and income generating small business activities in manufacturing, processing, service sector or trading etc not for self consumption and personal needs.

**Promoters Contribution:-** Promoters behaves as per the policy framework of the bank, based on overall guidelines by RBI (Reserve Bank of India)

**Interest Rates and Processing Charges:** promoters like Scheduled Commercial banks, RRBs and Cooperative banks wishing to avail of refinance from MUDRA will have to peg their interest rates, as advised by MUDRA Ltd, from time to time. Banks may charge from the borrower in the name of processing charges as per their internal guidelines. Processing charges for Shishu loans are waived by most banks.

### **Repayment of Loan:-**

**Term Loan:** To be repaid in suitable instalments as per cash flow of the business.

**OD & CC Limit:** Repayment on demand. Renewal and Annual Review as per internal guidelines of the bank.

**Tenor of Assistance:** Its tenor will be for a maximum 36 months which will also be associated to terms of allocation of MUDRA funds by RBI from time to time.

### **Availability of the loan:-**

Mudra loan under PMMY is accessible at all branches across the country. MUDRA loan is also available at Scheduled Commercial Bank and Regional Rural Banks Mudra loan is also issued by NBFCs / MFIs who are financing micro enterprises in small business activities.

### **Impact on Indian Economy:-**

**Enhance Production Capacity:** Due to availability of easy finance small entrepreneurs can use Optimum aptitude of their resources to increase productivity.

**Employment Generating:-** Mudra loan scheme increased the confidence of the hopeful young person to become first creation entrepreneurs as also of active small businesses to enlarge their activities. Due to awareness about PMMY approx. 6 crores small business units are to be benefited under this scheme which helps in generating about 11 crore jobs and the numbers are increasing day by day.

### **Boost Liquidity:-**

To boost liquidity, a loan amount of Rs. 25000 crore approx. has already been distributed to almost 38 lakhs people under PMMY scheme.

### **Raise in GDP:-**

Non-corporate small business sector can increase the productivity of small enterprises with the help of MUDRA scheme and contribute more to India's GDP.

### **Women Empowerment:-**

Mahila Uddyami Scheme expressly encourages women entrepreneurs leading to women empowerment.

### **Synergies with "Make in India" Campaign:-**

MUDRA, being an initiative for promoting micro enterprises, fits well with Make in India initiative for

supporting these micro enterprises. This also works for Start-up India and Stand-up India campaign.

### **Synergies with National Rural Livelihoods Mission/ National Urban Livelihood Mission:-**

The National Rural Livelihoods Mission (NRLM) is set up "To reduce poverty by enabling the poor households to access gainful self-employment and skilled wage employment opportunities, resulting in appreciable improvement in their livelihoods on a sustainable basis, through building strong grassroots institutions of the poor."

### **Synergies with National Skill**

### **Development Corporation:-**

Synergizing with NSDC will help MUDRA in augmenting the skill sets of the sectoral players.

### **Benefit of Mudra Bank:-**

- It provides hassle free credit in a flexible manner.
- Interest rate charged shall be reasonable and would be applicable as per RBI guidelines.
- No subsidy is given to the borrowers.
- Problems faced in setting up infrastructure will be resolved.
- No processing fee would be charged

### **CONCLUSION**

Indian Government started MUDRA scheme to officially support Non –Corporate Small Business Sector. People living in rural and interior part have been availing benefit from MUDRA and it will help the growth of Indian MSME Sector and also helps to increase GDP of our country. MUDRA will create a new confidence in the small scale entrepreneurs and it also boost young, educated or skilled workers to expand their activities .MUDRA scheme specially encourages women entrepreneurs which leads to women empowerment and plays a important role in nation building.

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