



Micro Unit Development and Refinance Agency (MUDRA): Concept, Offerings and Impact

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Abstract:

MUDRA- Micro Unit Development and Refinance Agency has been the strongest endeavour of our Hon. Prime Minister to bank the unbanked population. It has been launched on 8th April, 2015, after the success of Pradhan Mantri Jan Dhan Yojana. This scheme started for Non-Corporate Small Business Sectors (NCSBS) to encourage them to expand their capabilities and operations. NCSBS plays a very important role in growth, employment and socio-economic development of the country. The main objective of this scheme to provide financial assistance to all those small business and entrepreneurs, who are having direct impact on overall growth of the economy. Under Pradhan Mantri Mudra Yojana, our Prime Minister launched Mudra Bank, which will benefits small entrepreneurs and also act as a regulator for 'Micro Finance Institutions'. This research article therefore, is an attempt to analyse the objectives, offerings and impact of MUDRA Yojana on Indian economy.

Keywords: MURDA, Micro unit development, Refinance agency

1. Introduction

Micro Unit Development and Refinance Agency (MUDRA), launched by our Hon. Prime Minister, Shri Narendra Modi on 8th April 2015, with a corpus of Rs20,000 crore and a credit guarantee corpus of Rs3,000 crore. It is also known as Mudra loan scheme which is open and available from all bank branches across the country. The main objective of this scheme to encourage the entrepreneurs and small business units to expand their capabilities and operations, to reduce over indebtedness and to provide the formal system of finance/ credit. India, being a developing country, requires its small entrepreneurs to grow and prosper because small business play an important role not only in contributing to nation GDP but also providing employment to large number of people. But due to various constraints small businesses are not playing their role effectively and the main reason behind that is, most of the individuals of our country living in rural area, have been excluded from the benefit of formal banking system, therefore, they had never access to various facilities like credit, loan, insurance, and other financial instruments to help them establish and grow their small businesses. So at that time most of the individuals depend on unorganised sectors for loan, especially on money lenders, who gives loan at high interest rate and with unbearable conditions, which make these poor unsuspecting people fall in a debt- trap for generations. After identifying the importance of small businesses and entrepreneurs, government of India launched the Mudra Bank Scheme under Pradhan Mantri Mudra Yojana to provide financial assistance to micro small medium enterprises. It has been the strongest endeavour of our Prime Minister to bank the unbanked population. Mudra Bank Loan yojana comes as a vision from Shri Narendra Modi, by the slogan, "fund the unfunded". MUDRA Yojana has been started after the success of Pradhan Mantri Jan Dhan Yojana.

2. Review of Literature

Gupta (2015) studied the concept, role, rational and responsibility of MUDRA Yojana. The study also focused on offerings and functioning of MUDRA Bank. The study concluded that MUDRA will be a catalyst towards mass entrepreneurship development, employment generation and higher GDP growth.

Petare and Mohite (2016) studied the offerings and eligibility criteria of Pradhan Mantri Mudra Yojana. The study also covered the benefits of MUDRA Bank. The study concluded that PMMY will help the growth of Indian MSME sectors which will contribute in GDP of the country.

Avani.T (2016) studied that how MUDRA Bank help SMEs to grow. The study also focused on role, responsibility and performance of MUDRA Bank in the state of Kerala. This study concluded that just as banking the unbanked, MUDRA bank main aim is funding the unfunded.

Shahid and Irshad (2016) studied product offerings and performance of MUDRA Bank in state of Karnataka. This study concluded that PMMY scheme will contribute to the well-beings of the individuals engaged in small scale industries which will positively affect the progress of the economy as a whole.

Kumar (2017) studied the impact of MUDRA Yojana on financial inclusion. The study also covered the products and objectives of MUDRA Bank. The study concluded that the small businesses are form the foundation of the economic development needs to be strengthened and supported.

Godha and Nama (2017) studied the impact of PMMY on financial inclusion and its progress and performance in the state of Rajasthan. The study concluded that, due to launch of this scheme financial inclusion has increased towards positive directions.

3. Objective of the Study

1. To study the concept of MUDRA Yojana
2. To study the offerings by Mudra Bank
3. To study the impact of MUDRA Yojana

4. Research Methodology

The study is based on secondary sources of data or information. Different books, newspapers and relevant websites like MUDRA Yojana, PMJDY and Govt. Publications have been consulted in order to make the study effective one. The study attempts to examine the concept, need and offering of MUDRA Yojana, as well the impact of this scheme on Indian economy.

5. Concept and Need of MUDRA Yojana

MUDRA stand for Micro Unit Development and Refinance Agency has been set up for, “fund the unfunded”, with a corpus of Rs20,000 crore and a credit guarantee corpus of Rs3,000 crore. This will provide credit up to Rs 10 lakh to non-corporate, non-farm, small/micro enterprises. Micro Finance Institutions will also refinance by Mudra Bank through Pradhan Mantri Mudra Yojana. Pradhan Mantri Mudra Yojana will cover various small business for funding, like shopkeepers, fruits/ vegetable vendors, food-service units, food processors, artisans, small industries, machine operators, repair shops, truck operators, millions of proprietorship/ partnership firms running as a small manufacturing units, service sector units and others in rural and urban areas. So the main objective of this scheme is to encourage the small businesses and entrepreneurs for start-ups and expansion of existing operations. This scheme will benefit more than 58 million small business owner in the country and this is one sector under which more than 120 million people are employed which majorly belongs to the less privileged sections of society. Under this scheme, loans are rendered by public banks, NBFCs, MFIs, and other financial institutions as mentioned by MUDRA Yojana.

Under Pradhan Mantri Mudra Yojana, our Prime Minister launched Mudra Bank, which will benefits small entrepreneurs and also act as a regulator for ‘Micro Finance Institutions. Any citizen of India who is involved in income generation activity whether from manufacturing, service or trading sector with loan requirement of amount less than Rs 10 lakh can avail credit under Pradhan Mantri Mudra Yojana. Mudra Bank regulate the lender and borrower of microfinance and bring stability to the microfinance system through regulation and inclusive participation. Under this scheme loans are categorised into three instruments, as per the funding needs of the beneficiary like Shishu, Kishor and Tarun, and borrowers also classified into three segments like starters, mid-stage finance seekers and the next level growth seekers. So starters will come under Shishu category, can avail credit up to Rs 50,000 per month, mid-

stage finance seekers will come under Kishor, can avail credit above Rs50,000 and up to Rs 500,000 and the next level growth seekers will come under Tarun, can avail credit above Rs 500,000 and up to Rs 10,00,000.

6. Offerings and Objectives of PMMY

MUDRA Yojana which stands for Micro Unit Development and Refinance Agency, is one of the strongest attempt made by our Hon. Prime Minister, Mr. Narendra Modi, to cater the needs of that strata of Indian population who were earlier deprived of formal banking services. To fulfil the main objective of “fund the unfunded” MUDRA has following objectives.

- Regulate the lender and the borrower of the microfinance and bring stability to the microfinance system through regulation and inclusive participation.
- Extend finance and credit support to Microfinance Institutions (MFI) and agencies that lend money to small business, retailers, self-help groups and individuals.
- Registered all MFIs and introduce a system of performance rating and accreditation for the first time. This will help last mile borrowers of finance to evaluate and approach the MFI that meets their requirement best and whose past record is most satisfactory. This will also introduce an element of competitiveness among the MFIs. The ultimate beneficiary will be the borrower.
- Provide structured guidelines for the borrowers to follow to avoid failure of business or take corrective steps in time. MUDRA will help in laying down guidelines or acceptable procedure to be followed by the lenders to recover money in cases of default.
- Develop the standardised covenants that will form the backbone of the last-mile business in future.
- Offer a Credit Guarantee scheme for providing guarantees to loan being offered to micro businesses.
- Introduce appropriate technologies to assist in the process of efficient lending, borrowing and monitoring of distributed capital.
- Build a suitable framework under the Pradhan Mantri Mudra Yojana for developing an efficient last-mile credit delivery system to small and micro business.

Under Pradhan Mantri Mudra Yojana, MUDRA Bank has launched its three initiative product and its name is SHISHU, KISHOR & TARUN to signify the stage of growth and funding needs of micro units or entrepreneurs. Mudra Bank also classified borrowers into three segments like starters, mid-stage finance seekers and the next level growth seekers.

SHISHU: Under this scheme, loans up to Rs50,000 will be sanctioned without requiring any collateral security. This is the first stage when the business is just starting up. The rate interest charged under this scheme by the bank is around 10 to 12%. And public sectors banks are charging at lower rate.

KISHOR: Under this scheme, loans above Rs 50,000 and up to Rs 500,000 will be provided. Under this the mid-stage finance seekers or who had already started business, can avail the credit. The rate of interest under this scheme is around 14 to 17% depends on bank to bank.

TARUN: Under this scheme, loans above Rs 500,000 and up to Rs 10,00,000 lakh will be sanctioned. Under this businessman who want to expand their business, can avail the credit. The rate of interest starts at 16%.

It should be noted that at least 60% of the credit flows to Shishu Category Units and balance to Kishor and Tarun Categories are ensured. MUDRA CARD is an innovative offering of Pradhan Mantri Mudra Yojana.

7. Impact of PMMY

Majority of people in India are poor and live in rural and interior part of the country. They deprived from the benefits of the formal banking system. Most of these people belong to scheduled castes, scheduled

tribes and other backward classes. It is to be noted that most of the micro enterprises, retail or trading activity, are initiated or controlled by women, with no exposure to education, formal training or access to any form of banking support. The biggest problem faced by these small businesses is lack of financial assistance. So our Hon. Prime Minister launched MUDRA Yojana, under which MUDRA Bank will hugely benefit small manufacturing units and self-employed individuals in rural and urban area with financing requirement up to Rs.10 lakh. MUDRA Bank is a step by the government that can be a game changer in giving birth to a new set of entrepreneurs, some of whom may scale heights not imagined today. Earlier government of India was giving subsidy to people, which may seem welcoming at first, but does little help to an individual to live better life. But MUDRA Bank provides hassle free credit in a flexible manner, at very reasonable interest rate as per RBI guidelines. MUDRA Yojana will create a new confidence in the small scale entrepreneurs and it will also boost young, educated or skilled workers to expand their activities. PMMY have positive impact on Indian economy, it will boost employment, especially self-employment, which will enhance the overall GDP of the nation.

8. Summary and Conclusion

MUDRA stand for Micro Unit Development and Refinance Agency has been set up for, “fund the unfunded”, with financial assistance up to Rs 10 lakh to non-corporate, non-farm, small/micro enterprises. The study attempted to analyse the concept, objectives, offerings and impact of Pradhan Mantri Mudra Yojana. The introduction of this scheme with other type of financial inclusion initiative, yield a valuable results. The PMMY scheme is sure to take our nation forward to the future and make India a more sustainable country. By providing loan to all micro, small and medium enterprises, PMMY will also contribute to the development of ‘Make in India’ initiative. So on the basis of above article we can conclude that this scheme will surely make a dramatic change and will help in making a developed India.

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