

A Study Micro Units Development and Refinance Agency (MUDRA)

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Introduction

Most individuals, especially those living in rural and interior parts of India, have been excluded from the benefits of formal banking system. Therefore, they never had access to insurance, credit, loans and other financial instruments to help them establish and grow their micro businesses. So, most individuals depend on local money lenders for credit. The loan comes at high interest and often with unbearable conditions, which make these poor unsuspecting people fall in a debt-trap for generations.

So they were an urgent need for an institution which will overcome the problems of individuals staying in rural areas. It will make a lot of difference in the economy as according to NSSO Survey 2013, there are close to 5.77 crores small scale business units, mostly sole proprietorships, which undertake trading, manufacturing, retail and other small-scale activities. Government felt that introduction MUDRA will make the difference by promoting self employment and entrepreneurship.

Objective of the study

1. To study about MUDRA Yojana.
2. To highlight about the objectives, and the schemes undertaken.

Methodology

This study is based on secondary data. The data is obtained from related books, articles and internet site. It is purely a descriptive study.

Pradhan Mantri Mudra Yojana under the Micro units Development and Refinance Agency (MUDRA) bank is a new institution being set up by Government of India for development and refinancing activities relating to micro units.

MUDRA will be set up through a statutory enactment. It will be responsible for developing and refinancing all micro finance institutions (MFIs) which are in business of lending to micro and small business entities engaged in manufacturing trading and service activities. The targeted group was young educated or skilled workers and entrepreneurs, including women entrepreneurs.

Under the scheme, three categories of interventions has been named which includes

1. Shishu :- Loan upto 50000
2. Kishore :-Loan ranging from 500000 to 5 lakh
3. Tarun :- Loan above 5 lakh and below 10 lakh

These three categories will signify the growth; development and funding needs of the beneficiaries as well as it will assure the loan amount to be allotted by Micro Units Development and Refinance Agency Bank.

Borrowers under the scheme are given considerations like:-

1. No bank guarantee to avail loans
2. An officer has been assigned to monitor distribution of targets beneficiary selection progress, Toll free numbers, quick processing.
3. Trainees from different institutions like MSME institutes, Jan Shikshan Sanstha are assigned the work to widening the beneficiary selection.

MUDRA refinance is available only for the loan issued at base rate by commercial banks; banks have been advised not to charge margin money and processing fee for Shishu loan while rate of interest may vary from bank to bank but to not exceed 12% per annum. The repayment period varies from 3-5 years according to project requirement and loans are given as term loan or working capita loan or a mix or term loan and working capital loan.

Objectives of MUDRA Yojna:-

- To lay down policy guidelines to finance micro small enterprises.
- To get all Micro Finance Institutions and entities registered and regulated the same.
- To help small businesses grow and develop their enterprise further.
- To assist lower income groups in setting up and developing their business.
- To help set p responsible financial practices in order to prevent over borrowing for lower income entrepreneurs.
- To help, create easy access to finance for the unbanked and also help lower the cost of finance.
- To give SC/ST preference in lending
- To regulated all Micro Finance Institutions dealing with manufacturing, service and trading.

Eligible Beneficiary

Under the MUDRA Yojana, all small businesses and enterprise in need of finance are eligible for a loan, Businesses of proprietary as well as partnership nature. Apart from this, small business and manufacturing units like food services, vegetables and fruit vendors, hair cutting saloon, beauty parlours, transportation services, repair shops, SHGs ,hawkers, artisans etc.

To apply for a loan one can approach the institutions or banks like Scheduled Commercial Banks in public or private sector, RRBs, MFIs, small business finance companies and NBFCs and Scheduled urban and State Cooperative banks.

These institutions have to pass the eligibility criteria laid down by MUDRA yojana and are then eligible to provide loans to suitable candidates as per the parameters of the yojana.

Advantages of MUDRA Yojana

- Apex Refinancer
- Suitable architecture for Indian context.
- Inclusion of Last Mile financiers – a game changing idea
- Help expand access to finance for micro enterprises
- Lower cost of finance
- Credit plus approach
- Mass Entrepreneurship Development and Growth

Salient features of the schemes are

1. Sector / activity focussed schemes are
 - It support units for purchase of transport vehicles for goods and personal transport such as auto rickshaw, small goods transport vehicle e-rickshaw, passenger cars, taxis, etc.
 - Community, social and personal activities such as saloons, parlours, gymnasium, boutiques, tailoring shops dry cleaning cycle and motorcycle repair shop etc.
 - Food Products sectors like papad making, achar making, jam making, agriculture produce preservation at rural level, sweet shops, small service food stalls, cold storages, ice making biscuit, bread and bun making etc .
 - Textile products sector like Handlooms, power loom, khadi, chikan work, zari and zaardozi work traditional dyeing and printing knitting cotton ginning, computerized embroidery etc.
2. Micro credit scheme: - under this financial support to MFIs for lending to individuals or groups of individuals to running micro enterprise as per MSMED Act and non farm income generating activities.
3. Missing middle credit scheme: - financial support to financial intermediaries for on lending to individual for setting up micro enterprise as per MSMED Act and non farm income generating activities with beneficiary loan size of 50,000 to 10 lakh per borrower..
4. Refinance scheme for RRBs and Cooperatives Bank: - enhancing liquidity of RRBs / Scheduled Co-operative banks by refinancing loan extended to micro enterprises as per MSMED act with beneficiary loan size up to 10 lakh.
5. Mahila Uddyami Scheme: - timely and adequate financial support for on lending to women.
6. Business loans for Traders and shopkeepers: - timely and adequate financial support with beneficiary loan size up to 10 lakh per enterprise.
7. Equipment finance scheme for Micro units: - adequate and timely loans for individuals for setting up micro enterprise by purchasing necessary machinery, equipment with per beneficiary loan size of up to 10 lakh.

8. MUDRA Card: - the card offering will help provide pre approved credit line to the members by providing a card that can be utilized to purchase raw materials and components from registered producers on an online platform.

Conclusion

It is right to say that MUDRA Yojana will really be a game changer. It will help in economic development and also increase in GDP. The establishment of MUDRA would not only help in increasing access of finance to the unbanked, but also bring down the cost of finance from the last file financiers to micro and small sector.

Majority of Indian are poor and live in rural and interior parts of India. Most of them do not have farmland also. These people belong to SC/ ST and other backward classes who go for odd jobs. It is also to be noted that most of the micro enterprises, retail or trading activity, are initiated and controlled by women with no exposure to education, formal training or access to any form of banking support. If India gives then this free spirit of enterprises and some guidance, support, training and financial assistance, then we will see the rise in our GDP. Not only this if MUDRA continues to retain focus on the underprivileged and extend its reach to the interiors, it can emerge as a bigger success story than what Grameena Bank of Bangladesh ever was or will be.

MUDRA Bank is a step by the government that can be a game changer in giving birth to a new set of entrepreneurs, women of whom may scale heights not imagined today. It is far better than giving subsidy.

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