

**MUDRA: Micro Units Development & Refinance Agency**

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**Abstract:** MUDRA: Micro Units Development & Refinance Agency is established to attain development in an inclusive and sustainable manner by supporting and promoting partner institutions and creating an ecosystem of growth for micro enterprises sector. As part of Pradhan Mantri Mudra Yojna, government is targeting Non-Corporate small business sector covering small manufacturing units, shopkeepers, fruits & vegetables vendors, truck and taxi operators and many others. This research paper highlights the offerings like Micro Credit Schemes (MCS), refinancing to RRBs/Cooperative banks and impact of MUDRA to Indian economy.

Key words: MUDRA, MCS, MUS, RRBs, PMMY, NCSBS

**Introduction:** MUDRA stands for Micro Units Development & Refinance Agency Ltd. It is a new institution being set up by the government of India for development and refinancing activities related to micro units. It was announced by the honorable finance minister while presenting the union budget for financial year 2015-16. The purpose of MUDRA is to provide funding to the Non-Corporate small business sector.

**Objective:** This paper is an attempt to find out the scheme offered by MUDRA under PMMY and their impacts.

**Review of literature:** MSMEs contribute immensely to the industrial landscape of the country in terms of their share of manufacturing output and in terms of exports. The sector provides jobs to more than 60 million people in different segments such as readymade garments, leather, gems and jewelry, light engineering and handicrafts. Though it is a key contributor in India's

economy but faces challenges like high interest rates and rising cost of raw material and labor.

**Benefits of Study:** This paper helps in understanding the MUDRA schemes launched by the government to resolve the challenges faced by Non-Corporate small business sector.

**Material and Methods:** This research paper is based on secondary data collected from various magazines, websites, journals etc.

**Overview of MUDRA**

Non-Corporate Small Business Sector (NCSBS) is the economic foundation of India. It is perhaps the largest disaggregated business ecosystem in the world sustaining around 50 crore lives. The sector comprises of small manufacturing units, shopkeepers, repair shops, machine operators, artisans and food processors. Formal or institutional architecture has not been able to reach out to them to meet the financial requirement of this sector. They are mostly self-financed or rely on personal or moneylenders. Addressing this will give a big boost to the economy otherwise this segment would remain unfunded and a portion of the productive labor force would remain unemployed. The desired transformation in the society can be achieved through this.

The Non-Corporate Small Business Sector (NCSBS) accounts for a large share of industrial units. They feed large local and international value chains as well as domestic consumer markets as suppliers, manufacturers, contractors, distributors, retailers and service providers. The gross value addition of this sector is 6.28 lakh crore annually.

Mainstreaming these enterprises will not only help in improving the quality of life of these entrepreneurs but will also contribute

substantially to job creation in the economy thereby achieving higher GDP growth.

The biggest bottleneck to the growth of entrepreneurship in the NCSBS is lack of financial support to this sector. The support from the Banks to this sector is meagre, with less than 15% of bank credit going to Micro, Small and Medium Enterprises (MSMEs). So Gol has come up with MUDRA scheme to formally help NCSBS sector.

#### Mission of MUDRA initiative

A vast part of the non-corporate sector operates as unregistered enterprises. They do not maintain proper Books of Accounts and are not formally covered under taxation areas. Therefore, the banks find it difficult to lend to them. Majority of this sector does not access outside sources of finance.

It is in this backdrop that Government of India (Gol) is setting up a Micro Units Development & Refinance Agency (MUDRA) Bank through a statutory enactment. This Agency would be responsible for developing and refinancing all

Micro-finance Institutions (MFIs) which are in the business of lending to micro / small business entities engaged in manufacturing, trading and service activities. The Bank would partner with state level / regional level co-ordinators to provide finance to Last Mile Financiers of small / micro business enterprises.

Since the enactment is likely to take some time, it is proposed to initiate MUDRA as a unit of SIDBI to benefit from SIDBI's initiatives and expertise.

In nutshell mission statement is:

*"To create an inclusive, sustainable and value based entrepreneurial culture, in collaboration with our partner institutions in achieving economic success and financial security."*

#### MUDRA Offerings

Under the aegis of Pradhan Mantri MUDRA Yojana, MUDRA has already created its initial products / schemes. Depending upon the category of business, MUDRA scheme provides loan in 3 categories (Fig 1)

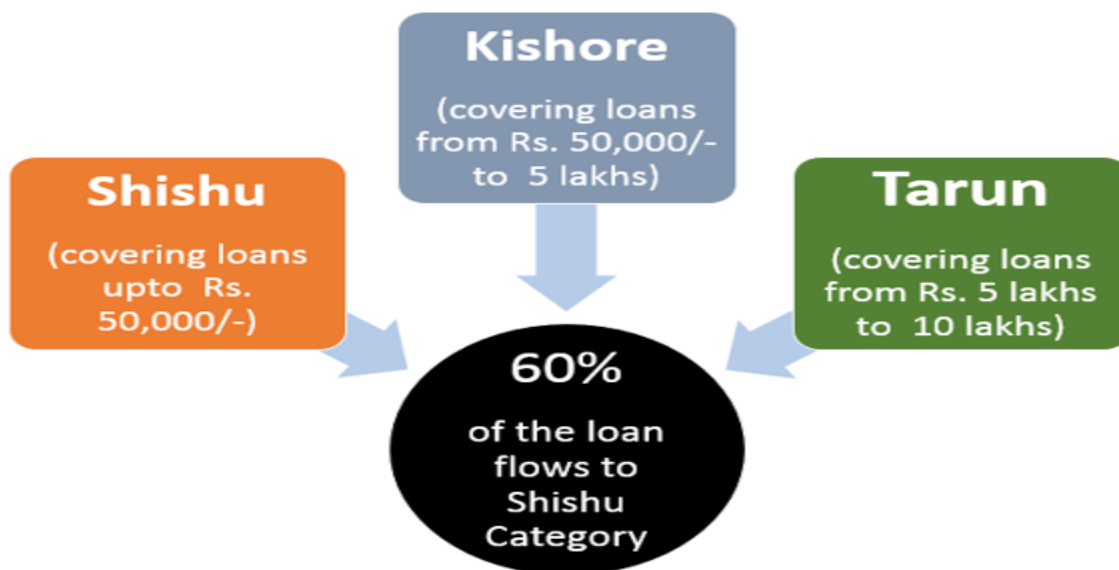


Fig 1: Categories of MUDRA scheme

- **Shishu:** If you have just started small business then you will get loan cover upto Rs. 50,000/-
- **Kishore:** if you have set your business then you will get from Rs. 50,000/- to Rs. 5 lakh of loan cover from MUDRA.
- **Tarun:** if you have good established business, need more fund to raise business then you will get loan cover to Rs. 10 lakhs.

It would be ensured that at least 60% of the credit flows to Shishu Category Units and the balance to Kishor and Tarun categories.

Within the framework and overall objective of development and growth of Shishu, Kishor and Tarun Units, the products 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. Here are the details of offerings(Fig2):

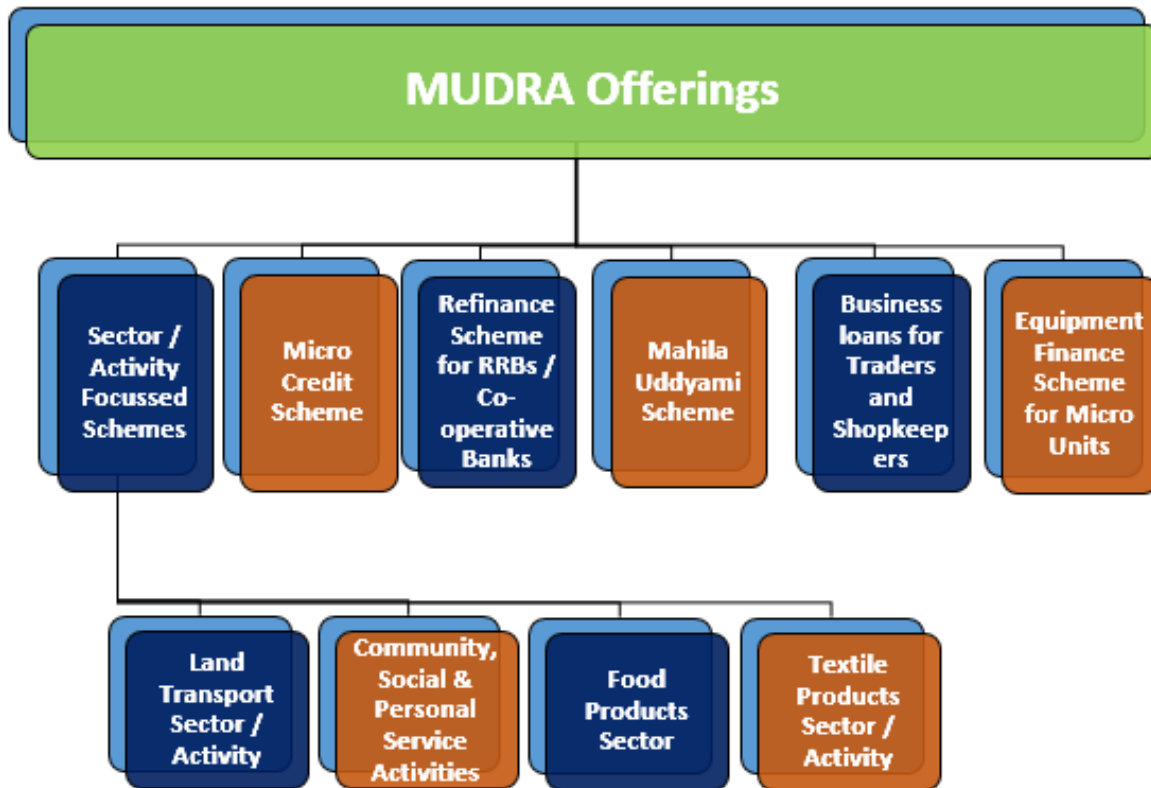


Fig 2: MUDRA Offerings

- **Sector / Activity Focused Schemes:** To maximize coverage of beneficiaries and tailor products to meet requirements of specific business activities, sector / activity focused schemes would be rolled out. To begin with, based on higher concentration

of businesses in certain activities / sectors, schemes are being proposed for:

- a. **Land Transport Sector / Activity:**Which will inter alia support units for purchase of transport vehicles for goods and personal transport such as auto rickshaw, small goods transport vehicle,

3 wheelers, e-rickshaw, passenger cars, taxis, etc.

**b. Community, Social & Personal Service**

**Activities:** Such as saloons, beauty parlours, gymnasium, boutiques, tailoring shops, dry cleaning, cycle and motorcycle repair shop, DTP and Photocopying Facilities, Medicine Shops, Courier Agents, etc.

**c. Food Products Sector:** Support would be available for undertaking activities such as papad making, achaar making, jam / jelly making, agricultural produce preservation at rural level, sweet shops, small service food stalls and day to day catering / canteen services, cold chain vehicles, cold storages, ice making units, ice cream making units, biscuit, bread and bun making, etc.

**d. Textile Products Sector / Activity:** To provide support for undertaking activities such as handloom, powerloom, chikan work, zari and zardozi work, traditional embroidery and hand work, traditional dyeing and printing, apparel design, knitting, cotton ginning, computerized embroidery, stitching and other textile non garment products such as bags, vehicle accessories, furnishing accessories, etc

- **Micro Credit Scheme:** Financial support to MFIs for on lending to individuals/ groups of individuals /JLGs/ SHGs for creation of qualifying assets as per RBI guidelines towards setting up / running micro enterprises as per MSMED Act and non-farm income generating activities.
- **Refinance Scheme for RRBs / Co-operative Banks:** Enhancing liquidity of RRBs /

Scheduled Co-operative Banks by refinancing loan extended to micro enterprises as per MSMED Act with beneficiary loan size upto 10 lakh per enterprise / borrower for manufacturing and service sector enterprises

- **Mahila Uddyami Scheme:** Timely and adequate financial support to the MFIs, for on lending to women / group of women / JLGs/ SHGs for creation of qualifying assets as per RBI guidelines towards setting up / running micro enterprises as per MSMED Act and non-farm income generating activities.
- **Business loans for Traders and Shopkeepers:** Timely and adequate financial support for on lending to individuals for running their shops / trading & business activities / service enterprises and non-farm income generating activities with beneficiary loan size of upto 10 lakh per enterprise / borrower.
- **Equipment Finance Scheme for Micro Units:** Timely and adequate financial support for on lending to individuals for setting up micro enterprises by purchasing necessary machinery / equipment's with per beneficiary loan size of upto 10 lakh.

**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. The card could be linked with Pradhan Mantri Jan Dhan Yojana Savings Account of the borrower and the drawals could also be enabled through the Bank's ATM network for meeting the immediate liquidity problems of the micro enterprise(**Fig 3**).



Fig 3: MUDRA Card

### Impact on Indian Economy:

- **Enhance Liquidity:** To enhance liquidity, a loan amount of Rs 24000 crore has already been disbursed to 37 lakhs people till on 22September 2015 through government banks under PM MUDRA bank scheme.
- **Increase in Production Capacity:** Due to timely disbursement from financial institutions, small entrepreneurs can utilize optimum capacity of their resources to increase productivity.
- **Employment Generation:** Government has announced nationwide campaign to spread awareness about PMMY. Approx. 5.77 crore small business units are expected to be benefited from MUDRA scheme which can generate almost 11 crore jobs.
- **Increased share in GDP:** Availability of formal financing body like MUDRA to Non-Corporate small business sector can increase the output of small enterprises and hence can contribute more to India's GDP.
- **Women Empowerment:** MUDRA offerings under Mahila Uddyami

Scheme specially encourages women entrepreneurs leading to Women empowerment.

### Conclusion:

Government of India started MUDRA scheme to formally support small scale enterprises so that they can participate in mainstream financial activities and directly contribute to Indian economy. MUDRA bank with a corpus of Rs 20,000 crore and a credit guarantee fund of Rs 3,000 crore is setup by GOI to support financial institutions. Scheme is very well accepted by financial institutions. So far Corporation bank has already launched MUDRA card under the Pradhan Mantri Mudra Yojana (PMMY) and IDBI bank has signed an agreement with MUDRA for refinancing of loans. MUDRA bank has also joined hands with 19 state and regional level coordinators so as to reach the small entrepreneurs who have limited branch presence and are cut off from the general banking system.

Below are the details of loan disbursed by various banks for FY2015-16(Fig 4).

Bank Type Name	Shishu		Kishore		Tarun		Total	
	No Of A/Cs	Disbursement Amt (Rs. crore)	No Of A/Cs	Disbursement Amt (Rs. crore)	No Of A/Cs	Disbursement Amt (Rs. crore)	No Of A/Cs	Disbursement Amt (Rs. crore)
SBI and Associates	479314	318.81	55939	1226.85	20797	1524.25	556050	3069.91
Public Sector Commercial Banks	2083872	2669.67	452865	8053.52	70580	4875.64	2607317	15598.83
Private Sector Commercial Banks	1301379	2132.57	129361	3110.02	36055	2480.74	1466795	7723.33
Foreign Banks	0	0	185	5.27	68	5.31	253	10.58
Regional Rural Banks	519961	1208.28	167065	3204.63	6375	414.67	693401	4827.58
Grand Total	4384526	6329.33	805415	15600.29	133875	9300.61	5323816	31230.23

Fig 4: Loan disbursed by various banks

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