

## **MUDRA YOJANA: A STRATEGIC TOOL FOR SMALL BUSINESS FINANCING**

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### **ABSTRACT**

India is a developing country having large population and most of the people are educated but not employed. This situation is due to poor education system and lack of job opportunities in India. They are depending upon agriculture or labour work as their source of livelihood. Indian government has announced various schemes to overcome to these situations. Indian gov. is promoting small scale business units. These units play an important role in contributing to national GDP and provide employment to a large no. of population. Government of India launched MUDRA YOJANA to address the financial and other constraints. This paper is an attempt to know about the success of MUDRA YOJANA in promoting small scale business and providing job opportunities. The paper highlights role of MUDRA Bank towards the small business units.

**Keywords:** Small business units, MUDRA, MFI, MSME, Last mile lending.

### **INTRODUCTION**

Small business units play an important role in economic development and growth of any country. Small business units provide not only employment but also initiate to innovations. In India where unemployment is a serious issue; small business units play a special position in the industrial structure because of their ability to create employment. In India large number of people are self employed. Small scale units provide employment to every kind of people in India like- educated, uneducated, skilled, unskilled, artisans, professionals etc. The small business units in the country are largely unorganized but provide employment opportunities to large part of population. There are various constraints due to which small business units are not able to play their role effectively. Raising finance is one of the biggest problem for this sector. These units are not able to get loans, financial assistance, and credit facilities, since they cannot offer good securities. To remove the

financial difficulties faced by these units the government of India launched a scheme on 8<sup>th</sup> April 2015 called Micro Units Development and Refinancing Agency or MUDRA “Fund to Unfunded”. It will provide loans to non-farm micro or small industries that are engaged in income generation through manufacturing. In MUDRA yojana there is no need to collateral securities; so credit worthiness is now not a biggest problem faced by investors.

### **OBJECTIVES OF THE STUDY**

1. To know about PMMY.
2. To know the objectives of MUDRA Bank.
3. To understand the product offering of MUDRA Bank.
4. To analyse the performance of MUDRA Bank.

### **METHODOLOGY**

The data and information for the study is gathered from secondary sources like magazines, newspapers, various journal and various websites mainly sourced from annual reports of MUDRA Yojana and its website.

### **PRADHAN MANTRI MUDRA YOJANA**

MUDRA Yojana was set up by Gov. of India. PMMY was launched by the Hon’ble Prime Minister Shri Narendra Modi on April 8, 2015. The main objective of this scheme is providing loan to small scale investors. This scheme is providing support to the entrepreneurs to remove the financial difficulties. PMMY aims to bank the unbanked. It provides loans upto RS.10 LAKH to the non- corporate, non farm small enterprises. MUDRA has been initially formed as a wholly owned subsidiary of Small Industries Development Bank of India (SIDBI) with 100% capital being contributed by it. Presently the authorized capital of MUDRA is 1,000 crore and paid up capital is 750 crore. This agency would be responsible for developing and refinancing all MSME engaged in manufacturing, trading and service sector. MUDRA would partner with banks, MFIs, and other lending institutions at state level /regional level to provide micro finance support to the micro enterprise sector in country. The borrower can approach any of the lending institutions mentioned or can apply online through this port

### **Eligibility for MUDRA loan yojana**

Any Indian Citizen who has a wage producing plan from small scale business exercises in

exchanging, assembling and preparing and whose advance prerequisite is under Rs. 10 lakh can approach advances under PMMY. Loan rate is regulated by Reserve Bank of India time to time. Non Corporate Small Business Sector occupied with benefit division, miniaturized scale fabricating units, natural products and vegetable distributing, support and repairing, handiworks and working nourishment administrations and so on are benefited under the plan.

### **Roles and responsibility of MUDRA bank;**

MUDRA bank has a no. of roles and responsibility. Main objective of MUDRA is fund the unfunded . MUDRA bank provides loan to the investors who have business plan to generate income from a non- farm activity but they do not have sufficient capital to invest can take loans up to Rs. 10 lakh. Not only this, the MUDRA Bank ; will also monitor the network of microfinance. It will make policies and guidelines for MFIs . Apart from that, with the aim to reach last mile credit delivery to micro businesses taking help of technology solutions. It will also be responsible for client protection, recovery methods, developing standardized covenants to government last mile lending, providing technological solution to last mile, devising and running credit guarantee scheme and creation of better structure for last mile credit Roles delivery.

### **MUDRA- PRODUCT/OFFERINGS**

To start-with, MUDRA will need two categories of products; viz ;mudra provides refinance to the investors having requirement upto 10 lakh and support to MFIs for on lending etc. The other products are for development and support of the sector. The initial products of MUDRA are as follows.

<b>Categories</b>	<b>Business type covered</b>	<b>Loans limit</b>
Shishu	The business units that are just started	up to Rs. 50,000/-
Kishore	Business units that are set and in medium Stage	Rs.50,000/ to Rs. 5 lakh
Tarun	Good established business units that Need more funds to raise business	Rs. 5 lakh to 10,00,000

It should be noted at least 60% of the credit flows to shishu category units and balance to kishore and Tarun categories are insured. In MUDRA scheme banks offer loans without asking for collaterals. There is no fixed interest on the loans availed under this scheme. Interest rates would depend on the bank as per the guidelines This can be also depends upon the risk involved and the customer profile.

**The funding support from MUDRA are of four types:** Micro credit scheme for loans up to Rs.1 lakh finance through MFIs; Refinance Scheme for commercial Banks /Regional Rural Banks/ Scheduled Co-Operative Banks; Securitization of loan portfolio.

### **PROGRESS OF MUDRA BANK YOJANA**

The idea of MUDRA bank is not just based on meeting the credit and financial need of small enterprises. Rather than just providing credit, it is based on the “credit plus” approach under which access to credit will be combined with various enterprises development and welfare related service. MUDRA bank is providing much needed financial access to NCBSs, promote growth of small businesses, help boost the country’s GDP and create job in the coming times. MUDRA loan is meant for ‘funding the unfunding’. It is available for new units and expansion of existing units. Providing financial support to women entrepreneurs is the main objective of PMMY. MUDRA card is an innovative product introduction to take care of the frequent and flexible credit needs of small borrowers.

Details of loan sanctioned and disbursed under MUDRA YOJANA

**TABLE 1: FINANCIAL YEAR:2015-2016 (Amount Rs. In Crore)**

No. of accounts	3,48,80,924
Amount sanctioned	1,37,449.27
Amount disbursed	1,32954.73

31/03/2016 ([www.mudra.org.in](http://www.mudra.org.in))

**TABLE 2: FINANCIAL YEAR: 2016-2017 (Amount Rs. In Crore)**

No. of accounts	3,97,01,047
Amount sanctioned	1,80,528.54
Amount disbursed	1,75312.13

31/03/2017 ([www.mudra.org.in](http://www.mudra.org.in))

**TABLE 3: FINANCIAL YEAR: 2017-2018 (Amount Rs. In Crore)**

No. of loan sanctioned	48130593
Amount sanctioned	253677.10
Amount disbursed	246437.40

31/03/2018 ([www.mudra.org.in](http://www.mudra.org.in))

**TABLE 4: FINANCIAL YEAR:2018-2019 (Amount Rs.in crore)**

No.of loan sanctioned	54127092
Amount sanctioned	282594.30
Amount disbursed	273748.57

22/03/2019 ([www.mudra.org.in](http://www.mudra.org.in))

MUDRA loan disbursements in 2015-2016 stood at Rs. 1.37 lakh crore, 12 percent higher than the budgeted target of Rs.1.22 lakh crore. In 2016-2017, Rs.1.81 Lakh Crore loans were given out against a target of Rs.1.80 lakh crore. Encouraged by the success of the scheme, the government has set a higher target of Rs.2.44 lakh Crore for the current FY18. A money control analysis showed that more than 71 percent of all mudra loans since april 2015 were concentrated in 10 states-Tamil Nadu, Karnataka, Maharashtra, Madhya Pradesh, Bihar, Odisha, Gujarat and Assam.

From the above progress report we can say performance of MUDRA Yojana is good. MUDRA yojana has transformed the lives of the poor in the country. It has opened new doors of opportunities for unemployed and those who wanted to start or expand their business.

But MUDRA yojana has been come under controversy. Some of the experts says it's not working well. Loans are not distributing according to needs. Government is pushing to banks for dispersal of loans. A lot of MUDRA loans are being distributed against banking policies. Banks are giving loans without proper investigations of project that's why Non- performing assets of MUDRA loan are increasing. It is becoming a big liability for the banks in near future. There is one other big problem. The average loans have given to people under mudra yojana is Rs. 45034. This amount is not sufficient to start or expand a business. This could not provide jobs to other. In this scheme only 1.3 per cent loans disbursements are exceeding Rs. 5 lakh. The MUDRA loan scheme has done well, but, the rising NPA is a matter of concern. These are big parts of concern.

## **ANALYSIS OF SCHEME:**

### ***Positive points of scheme:***

In this scheme investors can start a new business or can expand their existing business easily because there is no need to collateral and they can get loan without collateral. This scheme can change a job seeker into a job giver. The process of applying for a loan is very easy. Anybody who has a business plan and want to get loan can ask to nearby bank for loan .Banks easily provide the loan if a project is viable. Banks agents guide on how to organize and process a business. There is no processing fees to get these loans. MUDRA loans are flexible and payment period can be increase. It is a credit guarantee scheme .In this scheme only the person who takes loan is not responsible but also the government is responsible for repayment of loan. MUDRA loans given by MUDRA card is also a good concept due to which investors can fulfill their working capital requirements. Interest rates of these loans are low and there is no subsidies on these loans.

MUDRA scheme is creating jobs and our small scale sector is expanding and providing more facilities in rural areas. It is increasing our standard of living. In this scheme women can get loan easily. This is encouraging women entrepreneurs and empowering the women .

### **NEGATIVE POINTS:**

There are various negative points of this scheme. This scheme was started by Hon'ble prime minister but actual implementation of this scheme is in the hand of banks. Bank managers are not providing loans to needy. They are indulge in fraudulently, corruption and giving the loans to their relatives. The CBI noted that there are many loans sanctioned without proper inspection, residence, Without ascertaining end users of loan and purpose of loan.

The primary objective of this scheme was job creation but there is no data of job creation on official website of MUDRA or any financial website. Only amount distribution is not ascertainment to job creation. The amount sanctioned in this scheme for shishu categories are not enough to launch a start up.

NPA of this scheme is increasing day by day and it could be a serious issue for the Gov. in near future. It is increasing due to having no collateral for a loan. Different interest rates are also a negative point of this scheme.

## **CONCLUSION**

India stands at the threshold of becoming an economic with a huge demographic dividend to

capitalize on. The small scale industry which form the foundation of economic strata need to be strengthened and supported. The numerous introduced in the past few years are a step in right direction. MUDRA YOJANA is the scheme to boost small and micro units in India. This scheme has various positive as well as negative points. If Gov. and banks will implement this properly This scheme will contribute to the well being of the individuals engaged in small scale industries which will positively shape the progress of the economy as a whole. Gov. should take new steps for proper implementation of this scheme. There should be new rules to solve NPA issues. Job creation data and profit earning capacities of loans takers should be show on official website of MUDRA .Getting loan without securities is big opportunities for poor. The scheme will help the weaker section; low income group and unfunded population and also will increase the competition. Financial inclusion through PMMY increase the opportunities for credit requirement and refinance. This will surely make a dramatic change and will help in making a developed India.

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