

AN EVALUATION ON THE PRADHAN MANTRI MUDRA YOJANA SCHEME–A CONCEPT BASED REVIEW (PMMYS)

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ABSTRACT

India is a highly populated country. To provide employment is the most challenging task for the Indian Government. India cannot sustain if it does not have small, medium and micro enterprises to create jobs for Indians. More than 20% population have employment opportunities through small, micro, medium scale enterprises. So, Government should provide support to small business by providing loans facilities, training, marketing facilities and exposure to them. In today' business environment it is very difficult for small and micro business to survive due to financial illiteracy, lack of information, lack of infrastructure facilities, high cost to establish. To support these businesses Indian Government took initiative in 2015 by launching MUDRA loans and giving collateral free loans. This scheme proves very beneficial for distributing loans to non-corporate small business sector. This research throws light on schemes of Mudra Yojana in India. Entrepreneurs of the nation play an important role in developing an economy. They are considered as the backbone of the nation. Majority of the entrepreneurs face the problem of lack of availability of credit options for their business. After identifying the role of entrepreneurs and Micro, Small & Medium enterprises, government of India has started Pradhan Mantri MUDRA Yojana for providing credit facility. Under this scheme, entrepreneurs can take loan of up to ₹10 Lakh depending upon their requirements. This research throws light on schemes of Mudra Yojana in India.

Keywords: Mudra Yojana, Non-Corporate Small Business Sectors (Ncsbs), Pradhan Mantri Mudra Yojana (PMMY), Bank, Micro Finance Institutions (Mfis), Schemes Entrepreneurs, MSME.

I. INTRODUCTION

Micro, Small & Medium Enterprises play a crucial role in Indian economy. It not only contributes in GDP but also in generating employment opportunities in the country. Supporting the small entrepreneurs of India is the biggest way to help the Indian economy grow. The biggest bottleneck in the way of development of entrepreneurs is the lack of financial support. To remove this problem, MUDRA Scheme was introduced. The focus of this scheme is provide financial support to entrepreneurs and funding the unfunded population. MUDRA stands for Micro Units Development & Refinance Agency. It is also known as Mudra loan. One can avail the loan from the entire bank branches par India. The main aim of Pradhan Mantri MUDRA Yojana is to support Micro, Small & Medium enterprises and to develop entrepreneurial passion among budding entrepreneurs. Thus, MUDRA bank hopes to facilitate financial inclusion through refinance and development support for the benefit of micro, small and medium enterprises (MSME).

Entrepreneurs shape economic destiny of nations by creating wealth and employment, offering products and services, and generating taxes for governments. That is why entrepreneurship has closely been linked to economic growth in the literature on the subject. Entrepreneurs convert ideas into economic opportunities through innovations, which are considered to be major source of competitiveness in an increasingly globalizing world economy. Therefore, most governments in the world strive to augment supply of competent and globally competitive entrepreneurs in their respective countries. While developed nations have a reasonably good pace of entrepreneurial supply, most developing countries suffer from dearth of such entrepreneurs. This is one of the reasons for the poverty in developing countries, despite their rich resource endowments MUDRA (Micro Units Development and Refinance Agency Limited) Bank was formed in April 2015 by the Government of India's Union Budget. It aims to provide integrated financial support to the micro enterprises sector which includes small manufacturing units, food service units and small industries to name a few. The basic motive of establishing MUDRA is to extend the facility of institutional finance to small business entities involved in various trading, manufacturing and service activities. Along with MUDRA, the PMMY (Pradhan Mantri MUDRA

Yojana) was also launched. Under the PMMY scheme, everyone from the non-farm income generating sector can seek loans up to Rs. 10 lakhs.

The following are some of the key features and characteristics of the Pradhan Mantri MUDRA Yojana: Loan amount offered- The scheme has three categories under which loans are disbursed: 1. Shishu – For loan amount up to Rs. 50,000 2. Kishore- For loan amount from Rs. 50,001- Rs 5 lakhs 3. Tarun- For loan amount more than 5 lakhs and up to Rs 10 lakhs Who can borrow- Any businessperson or business who/which has not been a defaulter on any loan repayment previously is eligible to borrow under the PMMY (Pradhan Mantri MUDRA Yojana). Thus, individual business owner, private limited companies, public sector companies, proprietary firms or any other legal business entity can apply for the Mudra loan. Purpose of Loan assistance- As MUDRA loan is a business loan, the loan amount cannot be used for personal needs. It is provided to small businesses that carry out specific activities in the manufacturing, services or trading sectors. Businesses can utilize the capital obtained from a MUDRA loan for marketing purposes, increasing the available working capital or for acquiring capital assets to grow the business. Maximum Tenure– As per existing rules of the PMMY, the maximum repayment period for a MUDRA loan can extend to 5 years, however, the repayment period can be shorter if the lender decides so while sanctioning the loan.

II. REVIEW OF LITERATURE

The overview of the some literature has been relevant to this study. The study related to importance of Pradhan Mantri Mudra Yojna or Mudra bank for development of nation. However, almost all definitions consider, access to finance and utilizing financial services as foremost indicators in their definition. Few researchers have also included dimensions such as quality of available financial services. (Singh, 2018) focused on PMMY Scheme, present status of scheme and relevant suggestions. The researcher explained that the major problem in the growth of Non- Corporate Small Business Sector is the dearth of financial support from organized sector. By providing financial support, MUDRA Banks are playing a crucial role in improving standard of living, increasing job opportunities, increasing national income and reducing poverty. (Kumar S., 2017) explained the key objectives of Micro Units Development and Refinance Agency (MUDRA) Scheme. In a developing country like India most of the people are engaged in small businesses. Small businesses face financial problem as a major problem on their way to development. After identifying the contribution of small businesses in Indian economy, Government of India launched MUDRA Scheme to overcome the financial problem. The main focus of MUDRA Scheme is to support small businesses and entrepreneurs. (Patil & Chaudhari, 2016) emphasized that scarcity of finance is the major obstacle for small and micro business sector. To solve this problem, Government of India launched MUDRA Scheme. Through this scheme, Government of India is supporting small and young entrepreneurs. This scheme will be helpful in supporting small and micro sector by providing financial assistance at reasonable rates. (Gupta S., 2015) conceptualized that Pradhan Mantri Mudra Yojana (PMMY) was launched with the aim of „Funding the unfunded“. The problem in the path of Non-Corporate Small Business Sector (NCSBS) is the scarcity of financial support. Through PMMY Government of India is trying to bring the NCSBS in the formal banking channel. It is set up for the development and refinancing activities relating to micro units.

III. OBJECTIVES OF THE STUDY

- 1) To understand MUDRA scheme
- 2) To study the product offerings of MUDRA Scheme
- 3) To understand the procedure of MUDRA Scheme
- 4) To understand the legal framework required to avail benefit under this scheme
- 5) To know the meaning of Mudra Yojan, vision, mission and purpose
- 6) To study the who are eligible criteria for Mudra bank loan and document required for mudra loan

IV. RESEARCH METHODOLOGY

The study of this paper is descriptive in nature. Secondary data has been collected from various published data such as Journals, Magazines, Annual reports of Mudra Bank, newspapers articles and websites. The study is based on Secondary data. The researcher has made an attempt to study the Pradhan Mantri MUDRA Yojana. The secondary data was gathered from websites, research papers, articles and annual reports of Pradhan Mantri MUDRA Yojana. Mudra Scheme MUDRA Scheme was set up as a public limited company in terms of

Companies Act 2013 by Government of India. It was registered as a Non-Deposit taking Non-Banking Financial Institution (NBFI) with Reserve Bank of India (RBI). On April 8, 2015, Honourable Prime Minister Narendra Modi started MUDRA Scheme as a refinancing agency. Initially, it has a corpus of ₹20,000 Crore. The main objective behind the idea of MUDRA was to “fund the unfunded”. MUDRA is playing an important role in fulfilling the credit gap of by providing loan of up to ₹10 Lakh. The aim of MUDRA is to provide the loan without any collateral security to secure the loan. Thus, MUDRA loans are collateral security free loans. It was introduced mainly to give support to those entrepreneurs who are running micro, small & medium enterprises.

Mudra Yojna

MUDRA Bank is a Micro units development and refinance agency bank. It is a new institution set up by the Government of India for development of micro units and refinance of MFIs to encourage entrepreneurship in India & provide the funding to the non-corporate small business sector. MUDRA Yojana had announced by the Finance Minister in Parliament during Union Budget for FY 2016. MUDRA Bank will need two type of product like refinance for the micro units having loan requirement from Rs 50 thousand to 10 lakhs and support of Micro Finance Institutions (MFI) for onlending. MUDRA will refinance to micro business under the scheme of Pradhan Mantri MUDRA Yojana.

MUDRA Scheme/ Yojana

Under the guideline of Pradhan Mantri MUDRA Scheme, 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 the micro units or entrepreneur. MUDRA Bank is refinancing through State level institutions, MUDRA will deliver the loan through NBFCs, MFIs, Rural Banks, District Banks, Nationalize Banks, Private Banks, Primary Lending Institutions and other intermediaries.

MUDRA Vision, Mission, and Purpose

Vision of the MUDRA

To be an integrated financial and support services provider par excellence benchmarked with global best practices and standards for the bottom of the pyramid universe for their comprehensive economic and social development.

Mission of the MUDRA

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

Purpose of the MUDRA

Our basic purpose is 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

Interest Rate of the MUDRA Bank Loan

There is no fix Interest rate in MUDRA loan. According to source banks are charging around Base Rate + 1% to 7% minimum. The interest rate can be higher according to risk and customer profile and it can be different in all banks. So please check all nearest bank branches once before apply the MUDRA Bank Loan. There is no subsidy for the loan given under PMMY. However, if the loan proposal is linked some Government schemes, wherein the Government is providing capital subsidy, it will be eligible under PMMY also. The usual terms and conditions of the lending agency may have to be followed for availing of loans under PMMY. The Interest rates are as per the RBI guidelines issued in this regard from time to time.

The principal objectives of the MUDRA Bank are

- Regulate the lender and the borrower of 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 businesses, retailers, self-help groups and individuals.

Register 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 procedures to be followed by the lenders to recover money in cases of default.
- Develop the standardized covenants that will form the backbone of the last-mile business in future.
- Offer a Credit Guarantee scheme for providing guarantees to loans 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 businesses.

Under the Pradhan Mantri MUDRA Yojana, there are three categories of loan namely Shishu, Kishore, Tarun. This categorization denotes the stage of growth and requirement of fund needed by enterprises.

Type of Loan	Amount	Eligibility	Interest Rate	Processing Fee	Repayment Period
Shishu	₹ 50,000/-	Entrepreneur who either are looking to start a new business or are in the initial stage of business.	1% per month	no processing fee	5 years
Kishore	₹50,001/- to ₹5,00,000/-	Entrepreneurs who need additional capital for their existing business for buying machinery, raw material etc.	depends on the banks keeping in view terms & conditions of the MUDRA scheme	no processing fee	depends on the banks keeping in view terms & conditions of the MUDRA scheme
Tarun	₹5,00,001/- up to ₹10,00,000/-	Entrepreneurs who have well established business and need funds for expansion or diversification of their business.	depends on the banks keeping in view terms & conditions of the MUDRA scheme	0.5%	depends on the banks keeping in view terms & conditions of the MUDRA scheme

Activities Covered Under Mudra Loan



As a part of Pradhan Mantri Mudra Yojana, government is targeting Non-Corporate small business sector covering small manufacturing units, shopkeepers, fruits & vegetables vendors, truck and taxi operators and many others.

Eligibility Criteria for Mudra Scheme

- MUDRA loans are provided to all those whose credit need is up to ₹10,00,000 for non-farm income generating micro units in trading, manufacturing & services.
- Applicants' age limit should be minimum 18 years and maximum 65 years.
- A citizen of Indian who has a worthwhile business plan.
- Individuals and MSMEs
- Business owners
- Traders
- Retailers
- Manufacturers
- Small Industrialists
- Individuals involved with Agricultural activities
- Startup entrepreneurs

Partner Institutions of Mudra Scheme

MUDRA enrolled 203 institutions including banks (15 Co-operative Banks, 18 Private Sector Banks, 21 Public Sector Banks, 36 Regional Rural Banks, 6 Small Finance Banks), 25 Micro Finance Institutions, 35 Non-Banking Financial Company, 47 NBFC-MFI as partners for refinancing against their lending to micro entrepreneurs.

Documents required for availing Mudra Scheme

- Identity proof
- Proof of residence
- 2 recent passport size photographs
- Last 6 months Bank statement
- Business ID proof and address proof
- Rental agreement if any
- Clearance certificate from Pollution Control Board
- Small Scale Industries registration from Ministry of Micro, Small & Medium Enterprises
- Partnership Deed if any
- Memorandum of Association
- Quote for machinery & other items
- KYC documents

Benefits of Mudra Yojana

- SC/ST enterprises and lending them for their startups.
- The lower income groups - helping them boost their small business.
- To fund vendors, hawkers, self-help group etc.
- To help those people access financial aid, who do not yet have bank accounts.
- Lower the cost of finance.
- Running a fair and square government micro credit scheme to boost self-employment and smallbusiness.

The Funding Supports from MUDRA are of Four Types

1. Micro Credit Schemes: Miniaturized scale credit plot is offered for the most part through Micro Finance Institutions (MFIs) which convey the credit up to Rs. 1 lakh for different smaller scale venture exercises. In spite of the fact that the method of conveyance might be through gatherings like SHGs/ILGs the advances are given to the people for explicit salary creating miniaturized scale endeavor action. The MFIs for profiting money related help need to MUDRA by following a portion of the necessities as informed by MUDRA every once in a while.

2. Refinance Schemes for Banks: Different bank like commercial bank, regional rural bank and scheduled cooperative bank are eligible to avail of refinance support from MUDRA for finance microenterprise activities. The refinance is available for term loan and working capital loans upto an amount of 10 lakh per unit. The eligible banks, which have enrolled with MUDRA by complying with the requirements as notified. Can avail of refinance

from MUDRA for the loan issued under Shishu, Kishor and Tarun categories.

3. Women Enterprise Programmes: So as to energize ladies business people the financing/MFIs may consider broadening extra offices including interest decrease on their credit. At present, MUDRA expands a decrease of 25 bps to its greatest advantage paces of MFIs/NBFCs, who are giving credits to ladies business people.

4. Securitization of Loan Portfolio: MUDRA also supports Bank/NBFCs/MFIs for raising funds for financing micro enterprise by participating in securitization of their loans assets against micro enterprise portfolio, by providing second loss default guarantee, for credit enhancement and also participating in investment of pass through certificate (PICs) either as senior or junior investor.

V. FINDINGS, SUGGESTIONS

Findings

The focus of MUDRA Yojana is to “fund the unfunded.” This scheme has been implemented to provide support to entrepreneurs. MUDRA Scheme will definitely help the Micro, Small & Medium Enterprises as it involves less documentation to take the loan at reasonable rate. This scheme will help to reach the small entrepreneurs who are not in the general banking system. MUDRA will create confidence in the small-scale entrepreneurs and it boosts young, educated, or skilled workers to become new entrepreneurs and to expand business activities. The small businesses form the foundation of the economic development need to be strengthened and supported. MUDRA Yojana is the most recent scheme to boost up to the small and micro business units in India. The Mudra scheme is trying its best to improve the status of women and other backward sections of the society especially those who are not well educated and semiskilled. This scheme will add to the well-being of the individuals engaged in small scale industries which will positively shape the progress of the economy as a whole. Mudra as a financial tool is found very effective in its early stages across the country. This will definitely make a dramatic change and will help in making a developed India.

Suggestions

1. The government should take more initiative to create awareness of MUDRA scheme and thereby build confidence in the mind of people to take up entrepreneurial activities.
2. The government should take initiative to make sure whether this scheme is reached to the targeted people i.e. weaker section of the society.

VI. CONCLUSION

Mudra Loan Schemes MUDRA is still not a fully-fledged bank and is in its initial stages. Mudra Bank will function in coordination with local banks and financial institutions and provide finance to “Last Mile Financiers” of small/micro businesses. As the Purpose of this scheme is to support the micro and small enterprises the scheme for the products are also categorized accordingly. Mudra loan products are divided into three schemes. The first one is for the people who want to start a business or small enterprise will be provided Shishu category loan. Next level of loan/product is for mid-stage finance and for the expansion and technical up gradation will come under Kishore and Tarun Loan Scheme. These are described here. Shishu Loan Scheme: This is for starter or small entrepreneur; under this scheme the lending amount will be Rs. 50,000. That means, if anyone wants to start a small business then he/she will get a loan cover up to Rs. 50,000/-. Kishor Loan Scheme: This scheme is meant for the mid-level business organizations. If you have set your business then you may receive a term loan from Rs. 50,000/- to Rs. 5 lakhs from MUDRA for further expansion and growth. Tarun Loan Scheme: This is the next level scheme and it for those business /manufacturing organizations who wish to have a large and better (automation) business setup. The loan provided in this scheme will cover a sum of rupees from Rs. 5 lakhs to Rs. 10 lakhs. All of these schemes are specifically aim to benefit the small business setups including manufacturing and services to make people independent and to create more job opportunities for the youth and it will surely bring a change in the entire Indian economy. It would be ensured that maximum benefit and promotion should be given to people who desire and are capable to start new venture by starting small business unit. Keeping this in view 60% of the credit flows is allotted 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.

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