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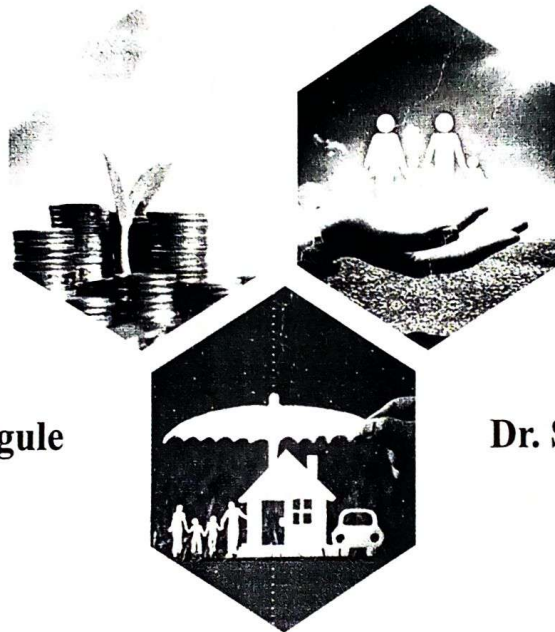


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Special Issue January 2018

## "NATION BUILDING THROUGH BANKING & INSURANCE"

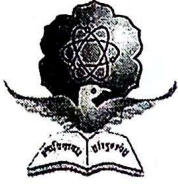
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## Mudra : An Overview

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### Abstract :

*Vicious circle of poverty present in Indian Economy. To cross out from the circle Economy made many schemes and policies up to date. But no more effect in this area; so small business and entrepreneurs will get financial resource, they will make their own development which generated employment and grow the GDP. For the supply of financial resource MUDRA play a vital role in micro finance. MUDRA known as Micro Units Development and Refinance Agency which uplifting the informal sector and connecting them to the financial mainstream of the country. The paper highlights the importance and the role of MUDRA towards the small business units.*

**Keywords** – MUDRA, Entrepreneurs, Micro Credit.

### Introduction :

Pradhan Mantri MUDRA Yojana is a very important step for eradication poverty and generate employment. Indian Economy is developing Economy. In such economics there have been shortage capital, But Human resource have been available at largely. In this stage micro finance play a key role to eradicate such problems. Pradhan Mantri MUDRA Yojana is universal remedy for Indian Economy. Small scale industry provide not only employment but also for growing per capitaIncome &GDP.

In Developing country having large population like India small business play an important role but. In India small business are not in a position to play their role effectively due to various constraints. Raising finance is one of the biggest problem for this sector. The scarcity of financial assistance and inadequate availability of credit facilities due to the weak credit worthiness of small business are the major causes of this problem.

To remove the financial difficulties faced by micro and small business units the government of India launched a scheme on 8<sup>th</sup> April 2015 called Micro Unit Development and Refinance Agency or MUDRA to fund the unfunded. MUDRA is still not a fully. Fledged bank and is in its initial stages. It will provide its services to small entrepreneurs outside the service are of regular banks, by using last mile agents.

### Objectives of the Study :

- 1) To know about MUDRA Yojana and MUDRA Bank.
- 2) To study the role of MUDRA Yojana for small business.
- 3) To study the impact of MUDRA Yojana over the Indian Economy.

### Research Methodology :

Present Research article based on secondary data. Different Books, Journal, News Papers and relevant websites have been consulted in order to make the article an effective one.

### What is MUDRA Yojana :

Pradhan Mantri Mudra Yojana was announced in the union budget for F.Y. 2015-16 by Government of India.

It was actually sketched and outline by Hon'ble Prime Minister of India under the ambitious PMMY is a scheme funding the unfunded. The scheme was actually come in force from 8<sup>th</sup> April 2015. It is being set up through a statutory enactment. But the enactment is likely to take same time temporarily, MUDRA will start its functioning under SIDBI as subsidiary and Registered as a NBFC stands for Non Banking Financial Corporation.

MUDRA's main aim is to finance the Last Mile Financiers' of micro and small entrepreneurs by working with partner local coordinators and also provide finance to Non corporate small business sector (NCSBS) These entrepreneurs are currently facing many difficulties is getting the credit from the formal banking system.

### MUDRA scheme offers three product to assist financially to micro entrepreneurs.

- 1) **Shishu** : This is targeted towards startups and sanctioned loan amount will be up to Rs. 50,000/-. The idea is to provide enough financial support to cover the expenses for business set up.
- 2) **Kshore** : This is targeted towards already existing business that lack exposure. The sanctioned loan amount will be between Rs. 50,000/- and Rs. 5,00,000/-. This scheme will



help business to gain exposure by expanding their supply segment, which will in turn help to reach out to more customer.

- 3) **Tarun** : This is for those business which have grow to a certain level and have enough exposure but need help to take business to a new level. The sanctioned loan amount will be between Rs. 5,00,000/- and Rs. 10,00,000/-.

**Nature of MUDRA :**

MUDRA would provide case of payment & purchasing and also encourage transparency in the business process. Moreover, the borrower needs to pay interest only on the amount of money that the borrower has used. Interest rates are dynamic and decided by the lending institution. A total of 27 public sector bank, 17 private bank, 31 Regional Rural Bank, 4 co-operative Bank, 36 Micro Finance Institution and 25 Non-banking Financial Institutions have currently been selected to allow disbursement of this loan.

**What is MUDRA Bank :**

In order to implement scheme of PMMY effectively and successfully. MUDRA bank (Micro Units Development and Refinance Agency) Ltd., was set up by the Government of India as a wholly owned subsidiary of Small Industry Development Bank of India (SIDBI). It is for 'funding' the 'unfunded'. This will provide credit of up to Rs. 10 lack to small entrepreneurs and act as a regulator for Micro Finance Institutions (MFIs) and Non-Banking finance company (NBFCs). Agriculture and self-employment will be the focus areas of MUDRA Bank.

**MUDRA offering its product under the following segment. Brief particulars are highlighted below :**

➤ **Sector/Activity focused schemes :**

In order to increase the number of beneficiaries and to meet the requirements of specific business activities, this scheme has been designed. It mainly concentrates on the following segment.

➤ **Land Transport Sector / Activity :**

It will assist financially for buying goods transportation vehicles as well as personal transportation vehicles which includes auto-rickshaw, small goods transportation vehicles, e-rickshaw, passenger cars,, three wheelers, taxis etc.

➤ **Community, Social & personal service Activities :**

It inclusive the business which have become the integral part of our life. Such as saloons, beauty parlors, gymnasium, boutiques, tailoring shops, dry cleaning, cycle and motorcycle repair shop. DTP and Photocopying facilities, Medicine shops, courier Agents etc.

➤ **Food Product Sector :**

The financial support will be provided, if the business undertaken falls under papad making, achar.making, jam/jelly making agricultural making product preservation at rural level sweet shops, small service food stalls and day to day catering/canteen services, cold chain vehicles, cold storage, ice making units, ice-cream making units, biscuits, bread, and bun making etc.

➤ **Textiles Product Sector/Activity :**

With the aim to bring golden days to the Indian traditional wear an generate employment for craftsman. MUDRA loan will be provided to the people engaged in handloom, power loom, khadi activity, chikan work, zari and zardozi work traditional embroidery and handwork, tradition dyeing and printing, appeared design, Knitting, Cotton Ginning, Computerized Embroidery, stitching and other textile non garment products such as bags, vehicle accessories, furnishing accessories etc.

2) **Micro Credit Scheme (MCS) :**

Financial support to MPIs for on lending to individuals groups of individuals / JIGs / 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.

3) **Refinance Schemes for RRBs and co-operatives :**

The liquidity of RRB's and scheduled Co-operative Banks can be enhanced by refinancing loans extended to micro enterprises under MSMED Act, up to Rs. 10 lacks per borrower for manufacturing and service sector enterprise.

4) **MahilaUddyami Scheme :**

Timely and adequate financial support to the MPIs, far an 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.



**5) Business Loan for Traders and Shopkeepers :**

Adequate and timely support will be given to the entrepreneurs engaged in small retail outlets / trading and business activities/service enterprises and non-farm income generating activities with beneficiary loan size of up to Rs. 10 lacks per enterprise / borrower.

**6) Equipment Finance for Micro Units :**

Financial assistance to the entrepreneurs or the individuals for setting up the micro/small enterprises by buying machineries required therein with a loan size up to Rs. 10 lacks per borrower/enterprise.

Impact on the Indian Economy Since MUDRA Scheme will be benefiting many micro and small entrepreneurs and unemployed educated with who are seeking financial support from the formal banking sector the economy will note a favorable and healthy change. Its impact will be :-

- 1) **Employment Generation** : Approximately 5.77 small business are expected to be benefited from MUDRA scheme who employs nearly is corer of people no doubt with the increase in capital there will be rise in employment.
- 2) **GDP Growth** : Because of MUDRA availability of organized financial system will be possible and will contribute in developing the country's GDP.
- 3) **Women Empowerment** : The general belief that the role of women is to look after homely affairs, has been changed because of PMMY, as MUDRA scheme focus on skill development, women will also be economically independent.
- 4) **Standard of living of people** : Since the increase in the income is achieved, spending will also increase in direct proportions and as a result of this result the flow of money will be smoothening in the economy.
- 5) **Promote Capital Formation** : Whom job seekers will be the job creators because of MUDRA automatically capital will be formed and economy will be strengthened.
- 6) **Increase entrepreneurial spirit** :MUDRA will act as a PUSH factor for bringing individuals in the business and creating many 1<sup>st</sup> Generation entrepreneurs.

**CONCLUSION :**

MUDRA Yojana I think is a universal remedy to boost up the small and micro business units in India. We have concluded from the study that MUDRA is a bigger change in the area of micro finance. The introduction of the national plan MUDRA with other type of financial support yield a valuable result. The MUDRA scheme is sure to take our nation forward to the future and take India in the stage of Developed countries. So on the basis of the study we can 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.

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