

MUDRA - MICRO UNITS DEVELOPMENT AND REFINANCE AGENCY

The Inside 'n Out - Episode Six

The Prime Minister Narendra Modi launched the Micro Units Development and Refinance Agency Ltd (MUDRA) Bank on 8 April, 2015 with a corpus of Rs 20,000 crore and a credit guarantee corpus of Rs 3,000 crore. The announcement was earlier made by the Finance Minister Arun Jaitley in his FY 15-16 Budget speech.

We have so many Banks in India. Why we need MUDRA?

In India, there are so many companies, start ups, small organizations, and many entrepreneurs. These are collectively known as Micro Units. The major problem was these Micro Units lack Financial Support. In order to overcome this problem, GOI set up MUDRA Bank. The ultimate aim of MUDRA is Fulfilling all the Funding needs of Non Corporate Small Businesses.

As per NSSO Survey of 2013, there are close to 5.77 crore small-scale business units, mostly sole proprietorships, which undertake trading, manufacturing, retail and other small-scale activities. Compare this with the organised sector and larger companies that employ 1.25 crore individuals.

The bank will initially function as anon-banking financial company and a subsidiary of the Small Industries Development Bank of India (SIDBI). Later, it will be made into a separate company. It will also serve as a regulator for other micro-finance institutions (MFIs) and provide them refinancing services. It will provide guidelines for MFIs and give them ratings.

Objectives of MUDRA Bank

- 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 standardised 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.

Major Products

S No	Product	Maximum Amount	Details
1	Shishu	50,000 INR	This is for entrepreneurs who are either in their primitive stage or require lesser funds in order to get their businesses started.
2	Kishor	5,00,000 INR	This section of entrepreneurs would belong to either those who have already started their business and want additional funds to mobile the business.
3	Tarun	10,00,000 INR	This would be the highest level of amount that an entrepreneur could apply for a start up loan.

Who is eligible for MUDRA Bank Loan?

Any Indian Citizen who are in income generating activity such as manufacturing, processing, trading or service sector and whose credit need is less than 10 lakh can approach either a Banks, MFIs, Financial Institutions or NBFC for availing of MUDRA loans under Pradhan Mantri Mudra Yojana (PMMY). MUDRA Bank is not refinancing agriculture sector under PMMY but traders of vegetables & fruits covers under MUDRA Bank Schemes.

Who can borrow from MUDRA bank?

- Small manufacturing unit
- Shopkeepers
- Fruits / Vegetable vendors
- Artisans

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Mudra Loan Mela

The government is organising MUDRA loan melas in different parts of the country. These melas are organised for few days where loans for small business funding could be applied. In the melas, loans are granted ranging from Rs. 50,000 to Rs. 10 lakh.

MUDRA is a noble initiative by our Prime Minister Narendra Modi. Any scheme of government initiative is not good or bad until it is executed and the results of which are thorough analyzed. It would be great if the scheme actually benefit the target population. If MUDRA can continue to retain focus on the underprivileged and extend its reach to the interiors, it can well emerge as a bigger success story than what Grameen Bank of Bangladesh ever was or will be.

THANK YOU 😊😊😊