



## Review Of Research



### MUDRA YOJANA : AN IMPORTANT TOOL FOR SMALL BUSINESS FINANCING

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#### ABSTRACT

It is the second largest sector engaging in small business after agriculture. Millions of low income earning group persons are interested to setup in small business but they are unable to start due to credit limitations. After identifying the importance of self employment people and small



business units, Govt. of India launched MUDRA Yojana to address the financial and other constraints. This paper is an attempt to know about the MUDRA Yojana and its key objectives also highlights the role and importance of MUDRA bank towards the small business units.

**KEY WORD:** MUDRA, small business units, employment, self employment, objectives, importance.

#### INTRODUCTION:

MUDRA stands for micro units development and refinance agency limited. It is financial institution being set up by Government of India for development and refinancing activities related to micro units. It was announced by Hon. Prime Minister Shri Narendra Modi. Pradhan Mantri Mudra Yojana were launched on 8th April 2015. Small business are not in a position to play their role efficiency due to various constraints. Rasing finance is one of the biggest problems for this sector. To remove the financial difficulties faced by micro and small business units the MUDRA Yojana provided services to 'fund the unfunded'. Mudra scheme offers and promises to provide the loan in easy way and without too much formalities based on various discussion with the bank managers and credit officers, about 70 percent of the applications coming in for MUDRA loans are approved on an averages. MUDRA as a financial tool is found very effective it is initial stages across the country. This will surely make a dramatic change and will help in making a developed India.

## REVIEW OF LITERATURE :

**Anup Kumar Roy (2016)** explains the MUDRA Yojana is the latest scheme to boost the small and micro business in India. MUDRA as a financial tool is found very effective it is initial stages across the country. This will surely make a dramatic change and will help in making a developed India.

**Venkatesh J. and Kumari R. L. (2015)** They throws light on that Government of India started MUDRA scheme to formally support small scale enterprises. So, that they can participate in financial activities and directly contribute to Indian economy. The Mudra scheme is trying to improve the status of women and other backward sections of the society. The financial support encouraging them to start new ventures and thereby empowering them. Its impact in developing a strong economy will be seen in the coming years.

**Aparana (2016)** expressed that the focus of MUDRA scheme is to 'Fund the Unfunded'. It is expected that the MUDRA scheme will fulfill the financial needs of 5.77 crores small business (according to NSSO in 2015) who are spread throughout the boundaries of the country. The study is examined to get an overview of the MUDRA scheme adopted in the country to know the roles and responsibilities of MUDRA scheme for small and micro business and to analyze the impact of MUDRA scheme over the India economy.

**4) Kumari Seema (2015)** in her research paper explains the offerings like Micro Credit Schemes (MCS), refinancing to RRBs/cooperative banks and impact of MUDRA to Indian economy. The paper attempts to find out the scheme offered by MUDRA under PMMY and their impacts. The study finds that it enhances liquidity of Indian economy, increases the production capacity, creates employment opportunities, increases share in GDP and helps in women empowerment.

## OBJECTIVES OF THE STUDY :

- 1) To study the objectives of Pradhan Mantri MUDRA Yojana.
- 2) To study the mudra loan schemes.
- 3) To study the benefits of Mudra Yojana.

## DATA COLLECTION:

The present study is based on secondary data which is collected from various publications, journals, magazines, reference books, internet etc.

## Mudra – Key Objectives

To fulfill the main objective of “fund the unfunded” MUDRA has following important objectives.

- 1) To cooperate in financing and lending activities of micro finance institutions (MFIs), and other lending agencies who make available finance to small traders, retailers, self-help groups and individuals.
- 2) To registration of all MFIs and to set up a performance level (performance rating) and system of preferential treatment for first time. It will boost up the competitiveness of the MFIs. Borrowers will benefits from it.
- 3) To provide infrastructure guideline to borrowers by implementing them business failure can be avoided and appropriate measures can be taken timely.
- 4) Development of standard set of covenants regulating last mile lending to micro units, which in the future will be the strength of character of the micro-business.
- 5) Formulating and implementing a credit guarantee yojana for providing guarantees to the loan given to micro business units.
- 6) To monitoring of funds distributed and promoting right technology solutions for last mile.

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### Concept of MUDRA Scheme :

Increasing financial access for traditionally underserved population, including women, poor households, vulnerable groups and micro and small enterprises is critical to achieving inclusive and balanced economic growth. Micro Units Developments creating and enabling environment for the existing institutions engaged in extending financial assistance to micro enterprises. MUDRA's support for inclusive finance is provided through refinance and credit guarantee products.

Small scale Units Development and Refinance Agency Limited (MUDRA) and Pradhan Mantri MUDRA Yojana (PMMY) were propelled on eighth April 2015 by the Hon. Leader Shri Narendra Modi. The guidelines of PMMY gave by Department of Financial Services (DFS). GOI demonstrated that all banks are required to loan to small scale endeavors occupied with assembling, handling, exchanging and administration area exercises. For a loan up to 10 lakh with a target of 1,22,188 crores for F.Y. 2015-16. Further it was also advised that the loan may be given in three categories. i.e.

- Loan up to 50,000 under Shishu.
- 50,000 to 5 lakh under Kishor.
- 5 lakh to 10 lakh under Tarun. Also, it was envisaged that more focus will have to be given for the Shishu category.

### The Funding Supports from MUDRA are of Four Types

#### A) 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.

#### B) 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 micro enterprise 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.

#### C) 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.

#### D) 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.

### 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 lakh 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 lakh to Rs. 10 lakh. 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.

**Nature of assistance:** i. The primary role of MUDRA is to assist the micro and small business unit in the following cases:

- i) Need based term loan,
- ii) OD limit,
- iii) Composite loan to eligible borrowers for acquiring capital assets,
- iv) Loan for working capital,
- v) Loan for marketing.
- vi) Loan for technical up gradation for manufacturing firm. Viz. Latest machinery, Software tools, automation equipment etc.

The MUDRA loans are provided for income generating small business activity in manufacturing, processing, and service sector or trading. The Project cost is decided based on business plan and the investment proposed.

### 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 small business.

**SUGGESTIONS :**

- 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.
- The government should take initiative to make sure whether this scheme is reached to the targeted people i.e. weaker section of the society.

**CONCLUSION :**

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.

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